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SAN FRANCISCO PORT COMMISSION

Leslie Katz, President
Willie Adams, Vice President
Kimberly Brandon, Commissioner
Mel Murphy, Commissioner
Doreen Woo Ho, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax 415-274-0412

AGENDA TUESDAY, JUNE 10, 2014 2:00 P.M. CLOSED SESSION 3:15 P.M. OPEN SESSION

PORT COMMISSION HEARING ROOM, SECOND FLOOR FERRY BUILDING, SAN FRANCISCO CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.

1. CALL TO ORDER / ROLL CALL
2. APPROVAL OF MINUTES – May 27, 2014
3. PUBLIC COMMENT ON EXECUTIVE SESSION
4. EXECUTIVE SESSION

GOVERNMENT
DOCUMENTS DEPT

JUN - 6 2014

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- A. Vote on whether to hold closed session.

- (1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative:

- a. Property: Ferry Plaza Limited Partnership, a portion of the Ferry Plaza located at the Embarcadero and Market Street
Person Negotiating: Port: Susan Reynolds, Deputy Director, Real Estate; Mark Lozovoy, Deputy Director of Real Estate
*Negotiating Parties: Alfred Tom, Ferry Plaza Limited Partnership

Under Negotiations: ___ Price ___ Terms of Payment ☒ Both



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The Port and Ferry Plaza Limited Partnership ("FPLP") are negotiating an amendment to FPLP's existing lease for the property. In this executive session, the Port's negotiator seeks direction from the Port Commission on factors affecting the price and terms of payment, including price structure, financing mechanisms and other factors affecting the form, manner and timing of payment of the consideration for the property interests. The executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California.

- b. Property: Pier 9 on The Embarcadero at the foot of Vallejo Street
Person Negotiating: Port: Peter Dailey, Deputy Director, Maritime
*Negotiating Parties: San Francisco Bar Pilots Benevolent and Protective Association: Captain Peter McIsaac, President

Under Negotiations: ___Price ___ Terms of Payment ☒ Both
The Port and San Francisco Bar Pilots Benevolent and Protective Association ("SFBP") are negotiating an amendment to SFBP's existing lease for the property. In this executive session, the Port's negotiator seeks direction from the Port Commission on factors affecting the price and terms of payment, including price structure, financing mechanisms and other factors affecting the form, manner and timing of payment of the consideration for the property interests. The executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California.

5. RECONVENE IN OPEN SESSION

- A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.
- B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during Public Comment Period. A member of the public has up to three minutes to make pertinent public comments. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406. No Commission action can be taken on any matter raised during the public comment period for items not listed on the agenda other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

9. EXECUTIVE

- A. Executive Director's Report
- Bay Area Association of Disabled Sailors (BAADS) and Treasure Island Sailing Center Co-Able Sailing Summer Camp – June 16 to August 8, 2014
 - Results of June 3, 2014 Primary Election, Proposition B
 - Fourth of July Festivities
 - San Francisco Opera at the Ballpark: La Traviata – July 5, 2014 at 8 p.m.
 - Commendations for:
 - Susan Coss, CUESA's Director of Marketing and Public Relations
 - Christine Farren, CUESA's Director of Development,
 - Isaiah Howard Sr., Ferry Building's Security Director
 - Jerry Chiang, SFFD Rescue Squad One
 - Michael Rubin, SFFD Rescue Squad One

- B. Commissioners' Report

10. PLANNING AND DEVELOPMENT

- A. Request approval: (1) to accept a gift from the James R. Herman Committee known as the James R. Herman Tribute and associated installation costs, subject to Board of Supervisors' approval; and (2) of display of gift at the James R. Herman Cruise Terminal at Pier 27. (Resolution No. 14-39)

11. MARITIME

- A. Request approval of contract terms and authorize staff to execute a contract with Dockwise USA, LLC in an amount not to exceed \$2.97 million for transfer of title and transport of Drydock #1, plus \$270,000 in potential demurrage incurred at

loading, subject to Board of Supervisors' approval of waiver of competitive contract bidding and other standard City contracting requirements. (Resolution No. 14-40)

- B. Request approval of Second Amendment to Lease No. L-14282 with the San Francisco Bar Pilots Benevolent and Protective Association for space located at Pier 9 located on The Embarcadero at the foot of Vallejo Street to reduce the size of the Premises, change the security deposit instrument type, specify future rent adjustments and make other changes. (Resolution 14-41)

12. REAL ESTATE

- A. Request approval of the Fiscal Year 2014-15 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event and Filming Rates. (Resolution No. 14-42)
- B. Request approval of License 15762 with Pacific, Gas and Electric Company for the ZA-1 Embarcadero-Potrero 230kV Transmission Project for approximately (i) 435,600 square feet of submerged land between Pier 28½ and the foot of 23rd Street, (ii) 52,272 square feet of underground access for horizontal directional drilling and (iii) 21,120 square feet of land along 23rd Street for a 40 year term, with a 26 year option, subject to approval by the Board of Supervisors. (Resolution No. 14-43)

13. NEW BUSINESS

14. ADJOURNMENT

**FORWARD CALENDAR
(TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)**

JULY 8, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Embarcadero	Informational	Presentation by the San Francisco Municipal Transportation Agency regarding the Embarcadero Enhancement Planning Project
2	Portwide	Informational	Presentation on Current Operations and Expansion Potential of Water Taxi Service Along the San Francisco Waterfront
3	Pier 29	Informational	Presentation on Request for Proposals for new tenant(s) for Pier 29 bulkhead
4	Portwide	Informational	Presentation on the City & County of San Francisco's Draft Guidance for Incorporating Sea Level Rise into Capital Planning in San Francisco, Assessing Vulnerability, Risk, and Adaptation
5	Portwide	Action	Approval to issue a Request for Proposals (RFP) for Architectural/Engineering Services Contract for the Completion of an Assessment of the Port's Seawall
6	Portwide	Action	Approval to issue a Request for Proposals (RFP) for a contract for Youth Employment Services
7	Pier 31	Action	Authorization to advertise for competitive bids for Construction Contract No. 2762, Pier 31 Building and Roof Repairs
8	Pier 35	Action	Authorization to award Construction Contract 2765, Pier 35 Building and Roof Project
9	Portwide	Action	Approval to award an As-Needed Contract for Hazardous Waste Transportation and Disposal Services

AUGUST 12, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation on the Fifteen-Year Review of the Waterfront Land Use Plan
2	Piers 30-32	Informational	Presentation on costs to maintain Piers 30-32 in current use
3	Portwide	Informational	Presentation on Finger Pier Exiting Code Analysis/Model Guidelines
4	Portwide	Informational	Presentation on the Port's Year-End Contracting Activity for the Fiscal Year 2013-14
5	Portwide	Action	Authorization to transfer the State Board of Harbor Commission's historical records from

			1863 to 1969 to the California State Archives
6	Pier 94/96, Pier 48/50 Marginal Pier, and Round House Building	Action	Authorization to Advertise for Competitive Bids for Construction Contract No. 2769, Port Security Fences Project, Phase 4
7	Pier 29	Action	Approval to issue a Request for Proposals for new tenant(s) for Pier 29 bulkhead
8	Portwide	Action	Approval to Issue an RFQ for Emergency Training
9	Cesar Chavez Street, Islais Creek and Pier 90	Action	Authorization to award Construction Contract No. 2758R, Bayview Gateway Park Projects

SEPTEMBER 9, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Joint Presentation by John Englander and Will Travis on Sea Level Rise
2	Portwide	Informational	Presentation by the San Francisco Planning Department regarding interagency coordination with the Port of San Francisco for waterfront planning and urban design
3	Pier 38	Informational	Presentation on Pier 38 Bulkhead Building Rehabilitation Project with TMG Pier 38 Partners, LLC, located at Delancey Street and the Embarcadero
4	Pier 80	Informational	Presentation on Cargo marketing Plan for Pier 80 in conjunction with Metro Ports and the International Longshore and Warehouse Union
5	Blue Greenway	Informational	Presentation on wayfinding for Blue Greenway
6	Crane Cove Park	Informational	Update on design attributes of Crane Cove Park

SEPTEMBER 23, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation by City Controller on Best Practices for Public Works Contracts
2	Portwide	Informational	Presentation on quality of Port's office space portfolio & required improvements
3	Pier 31	Action	Authorization to award Construction Contract No. 2762, Pier 31 Building and Roof Repairs

DATE TO BE DETERMINED

	FACILITY/POLICY	ITEM	TITLE
1	SWL 337	Informational	Presentation regarding a special event in excess of 90-days at Port property at Seawall Lot 337, including a review of the special event's proforma, pursuant to Lease No. L-14980 between Port and China Basin Ballpark Company, LLC.
2	South Beach	Action	Port Commission's consideration of agreements between the Port Commission and the Successor Agency to mutually terminate 13 ground leases in the South Beach project area and set business terms for the transfer of the South Beach Harbor Program
3	Piers 30-32	Informational	Presentation of alternatives for reuse of Piers 30-32
4	Pier 70	Action	Authorization to advertise for competitive bids for Construction, Crane Cove Park Project Phase 1
5	Pier 94 and 96	Action	Authorization to advertise for competitive bids for Construction, Pier 94-96 Storm Drain and Outfall repairs
6	Loading Dock near Tulare Street	Action	Authorization to advertise for competitive bids for Construction, Copra Crane Refurbishment
7	Daggett Street	Action	Approval of Memorandum of Understanding between the Port and the City's Real Estate Department authorizing the jurisdictional transfer of the Daggett Street Right-of-Way from the Port to the City for a transfer fee of \$1.6 Million
8	3rd Street & Cargo Way Triangle and Cargo Way	Action	Authorization to advertise for competitive bids for Construction, Quint Street Lead Improvement Project
9	Pier 35	Action	Authorization to advertise for competitive bids for Construction, Pier 35 Substructure Repairs

JULY/AUGUST/SEPTEMBER 2014
CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
July 8	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
August 12	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
September 9	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
September 23	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building

NOTES:

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfpport.com. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92. The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or amy.quesada@sfpport.com

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfpport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfpport.com

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or catherine.reilly@sfgov.org

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or jonathan.stern@sfpport.com

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or mark.paez@sfpport.com

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david.beaupre@sfpport.com

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or dan.hodapp@sfpport.com

ACCESSIBLE MEETING INFORMATION POLICY

FERRY BUILDING:

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at sotf@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

NOTICES

Prohibition of Ringing of Sound Producing Devices:

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

CEQA Appeal Rights under Chapter 31 of the San Francisco Administrative Code:

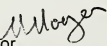
If the Commission approves an action identified by an exemption or negative declaration as the Approval Action (as defined in S.F. Administrative Code Chapter 31, as amended, Board of Supervisors Ordinance Number 161-13), then the CEQA decision prepared in support of that Approval Action is thereafter subject to appeal within the time frame specified in S.F. Administrative Code Section 31.16. Typically, an appeal must be filed within 30 calendar days of the Approval Action. For information on filing an appeal under Chapter 31, contact the Clerk of the Board of Supervisors at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102, or call (415) 554-5184. If the Department's Environmental Review Officer has deemed a project to be exempt from further environmental review, an exemption determination has been prepared and can be obtained on-line at <http://sf-planning.org/index.aspx?page=3447> . Under CEQA, in a later court challenge, a litigant may be limited to raising only those issues previously raised at a hearing on the project or in written correspondence delivered to the Board of Supervisors, Planning Commission, Planning Department or other City board, commission or department at, or prior to, such hearing, or as part of the appeal hearing process on the CEQA decision.



MEMORANDUM

June 5, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer 
Executive Director

SUBJECT: Approval (1) to accept a gift from the James R. Herman Committee known as the James R. Herman Tribute and associated installation costs, subject to Board of Supervisors' approval and (2) of display of gift at the James R. Herman Cruise Terminal at Pier 27

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Executive Summary

In 1998, the Port Commission adopted a resolution to name any future Cruise Terminal after Port Commissioner James R. Herman ("Commissioner Herman"). The International Longshore and Warehouse Union ("ILWU"), Local 34 Waterfront Division, along with several other ILWU chapters and members, have commissioned a piece of art ("Tribute") to commemorate and describe Commissioner Herman's contributions to labor and the San Francisco waterfront. This group has formed a 501(c) 3 referred to as the James R. Herman Memorial Committee ("Committee"). The Committee proposes to give this Tribute to the Port as an unconditional gift to be a permanent installation for the new James R. Herman Cruise Terminal at Pier 27 ("Terminal").

The Tribute is an interactive audio and visual installation that would be located on a prominent wall opposite the escalator and stairs in the first floor lobby of the Terminal. It will feature images of Commissioner Herman and highlights from Commissioner Herman's speeches.

Port staff presents this Tribute for the Port Commission's consideration and requests Port Commissions acknowledgement and acceptance of the Tribute. Due to its value, the gift of the Tribute and associated installation must be presented to the City and County of San Francisco Board of Supervisors for its approval before the Port can accept it. Thus, Port staff further requests Port Commission approval to allow Port staff

This Print Covers Calendar Item No. 10A

to seek Board of Supervisors' approval to accept the Tribute. Upon the Board of Supervisors' acceptance of the Tribute, Port staff will enter into a Gift Agreement (attached as Exhibit A) with the Committee to accept the Tribute. Pursuant to its terms, this agreement provides the Port the latitude to operate and maintain the Tribute at the Port's sole discretion.

Background

Commissioner Herman was a Port Commissioner between 1982 and 1998, and President of the Port Commission in 1991 and 1992, and Vice President of the Port Commission in 1993. Jimmy Herman spent the majority of his career working for the ILWU, Local 34 Waterfront Division. He was a staunch advocate for maritime industries and job creation for San Franciscans, and was active along the San Francisco waterfront outside of his service on the Port Commission. Jimmy Herman was the President of ILWU between 1977 and 1991.

To provide recognition and information about Commissioner Herman's contribution to the waterfront and the City, the Committee has offered the Port an unconditional gift of the Tribute including associated installation costs.

To design the Tribute, the Committee solicited Autodesk, an engineering, design and entertainment software company, to facilitate an artist's selection process. Autodesk sponsors an artist in residence program and works with a national network of artists. Through a competitive process, Floating Point Collective ("Artist") was selected to prepare a tribute concept, and is currently furthering the design to ensure compatibility with the Terminal and associated building code requirements. Floating Point Collective is an art and design collective based in Brooklyn, New York. They create large scale works that embrace new technologies, and constantly seek new forms of expression that resonate with the present and look towards the future. Autodesk has continued to work with the Artist to finalize the Tribute design.

The Tribute is an interactive audio and visual installation. It features an 8 foot high by 14 foot wide wall mounted steel sculpture that references waves on the Bay through its finish and shape. Placed within this steel wave sculpture, there is a touch screen monitor that allows visitors to scroll through images of Commissioner Herman's life. The installation also features a directional sound system that provides Commissioner Herman's speech highlights when visitors approach the front of the Tribute. When a person interacts with the Tribute or is in close proximity, it will animate; text about Commissioner Herman will be projected on the sculpture, and the touch screen will turn on, prompting visitors to interact with it. The concept design for the Tribute with the visual components overlaid is attached as Exhibit B.

To facilitate the ease of operations among various parties including Port staff, the Terminal operator and special events coordinators, the Artist will create a web portal to enable remote control of the Tribute. In advance of conveying this gift to the Port, the Artist is determining the replacements needed to keep the Tribute functional for a 20 year period. The Artist will provide a maintenance and operation manual that will include information regarding these replacement parts. The Committee will fund these

necessary replacement parts as part of the total project budget along with remote control web maintenance for a 20 year period.

Gift Agreement

The Port and the Committee have negotiated an agreement setting forth the terms under which Port can accept the unconditional gift of the Tribute ("Gift Agreement") which is attached as Exhibit A. The Gift Agreement will give the Port the following basic rights and privileges: (1) full and complete ownership of the Tribute and absolute discretion over its use, display, placement, removal, and disposition and (2) approval of the content and any content changes. The Gift Agreement contains customary releases and waivers of the Committee's and Artist's rights to allow the Port unrestricted use of the Tribute as it deems fit.

Gift Acceptance Process

The Tribute gift has an estimated value of \$250,000. As a gift with a value of over \$10,000, it is subject to acceptance by the Board of Supervisors under Section 10.100-305 of the Administrative Code.

With Port Commission acknowledgement and approval of this gift, Port staff will present it to the Board of Supervisors. With Board of Supervisor's approval, the Port Executive Director will accept this unconditional gift and enter into the Gift Agreement for the Tribute. Port staff will also comply with all reporting requirements for gifts under applicable City and state laws.

Gift Installation

With City acceptance of this Tribute, the Port can review and approve the Tribute design for installation. Assuming an 85 day installation and fabrication period, Tribute installation is expected this October.

Recommendation

The Tribute is a fitting memorial to Port Commissioner James R. Herman. The Committee has worked hard and generously to arrange for a memorial that benefits both Commissioner Herman and the Port's new state of the art Terminal. The Committee has non-profit status and will continue to fundraise for Tribute maintenance. The Committee's current project budget includes a fundraising to purchase replacement parts for a 20 year period for the Tribute as designed and for the current technology in the total project budget. Port staff highly recommends approval of the attached resolution acknowledging the gift and authorizing the Executive Director to seek Board of Supervisor's gift acceptance and upon such acceptance to enter into a Gift Agreement with the Committee to accept the Tribute.

Prepared by: Kanya Dorland, Waterfront Planner

Prepared for: Byron Rhett, Deputy Director
Planning and Development

ATTACHMENTS:

Exhibit A - Gift Agreement
Exhibit B - Concept Design

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-39

- WHEREAS, In 1998 the Port Commission adopted a resolution to name any future Cruise Terminal on Port property after Port Commissioner James R. Herman, a Port Commissioner from 1982 to 1998 and Port Commission President in 1990 and 1991; and
- WHEREAS, The James R. Herman Memorial Committee (Committee) proposes to give the Port an art piece, known as the James R. Herman Tribute (Tribute), intended for placement within the James R. Herman Cruise Terminal (Cruise Terminal) that recognizes James R. Herman's contributions and work on labor issues within San Francisco and while a member of the Port Commission; and
- WHEREAS, The Committee has agreed to enter into a Gift Agreement with the Port attached hereto for the unconditional donation summarized in this staff report, that gives the Port the following basic rights and privileges: (1) full and complete ownership of the Tribute and absolute discretion over its use, display, placement, removal, and disposition and (2) approval of the content and any content changes; now, therefore be it,
- RESOLVED, That this Port Commission is honored to receive the Committee's offer of the Tribute as a gift as well as the gift of necessary installation and authorizes the Executive Director or her designee to seek Board of Supervisor's acceptance of the gift; and be it further
- RESOLVED, Upon Board of Supervisor's acceptance, the Port Commission authorizes the Executive Director or her designee to enter into an agreement with the Committee, substantially in the form of the Gift Agreement attached to the accompanying staff memorandum, its placement at the Cruise Terminal and to accept this unconditional Tribute, and to allow its placement; and be it further
- RESOLVED, That the Port Commission authorizes the Executive Director to enter into any additions, amendments or other modifications to the Gift Agreement that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the Port or materially decrease the public benefits accruing to the Port, and are necessary and advisable to complete the transaction and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of any such documents; and be it further

RESOLVED, that the Port Commission directs the Executive Director or her designee to report the gift of the Tribute as required by applicable City and state laws.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of June 10, 2014.

Secretary

San Francisco Port Commission
Gift of Art
Terms and Conditions; Release and Waiver

This Agreement, dated _____ for reference purposes only, is made by and among the James R. Herman Memorial Committee, a California 501(c)(3) corporation ("**Donor**"), Floating Point, LLC, a Delaware limited liability company ("**Artist**") and the City and County of San Francisco, acting by and through the San Francisco Port Commission ("**City**" or "**Port**"), for a gift of public art for the James R. Herman Cruise Terminal at Pier 27, San Francisco, California 94105 ("**Pier 27**").

RECITALS

A. The James R. Herman Memorial Committee has commissioned a James R. Herman tribute with the intention of donating this tribute to the Port for public display, in a location to be determined and approved by the Port at the new James R. Herman Cruise Terminal at Pier 27. The Floating Point Collective, a design collective based in Brooklyn New York, was selected to design this tribute as an interactive art installation, which will be known as the "JRH Tribute."

B. Donor and Artist have informed the Port that the value of the JRH Tribute is over \$250,000. Accordingly, acceptance of this gift is subject to approval by the Board of Supervisors.

C. The Burton Act and Charter Section B3.581 empower the Port Commission with the authority to place, accept and install the Artwork in Pier 27.

TERMS AND CONDITIONS

In consideration of the foregoing recitals and the promises and conditions herein contained, the parties agree as follows:

I. DESCRIPTION OF ARTWORK.

The "JRH Tribute" shall consist of: a metallic wave sculpture that replicates the water on the San Francisco Bay through its finish and shape with interactive audio and visual components. These components include: (1) a projector that will display wave patterns and text onto the sculpture, (2) an interactive touch screen with buttons to enable visitors to scroll through images of James R. Herman's life, (3) directional sound speakers that will feature highlights from James R. Herman's speeches, and (4) a sensory camera that will detect when visitors are within thirteen (13) feet of the sculpture (the "**Artwork**"). A detailed description and/or illustration or design of the JRH Tribute is attached to this Agreement as Exhibit A. The anticipated lifespan of the Artwork is twenty (20) years from the date of delivery.

Text and other content used in the Artwork, is subject to prior Port approval and must be appropriate for a public facility (e.g., not concern a political campaign; not contain false, misleading, or deceptive speech; not contain obscene elements or materials; not be libelous, slanderous, or defamatory; not advocate or promote the use of illegal goods or services, or unlawful conduct; not infringe on any copyright, trademark, or other protected intellectual property; not discriminate against any individual or group; and not contain, imply, or declare an endorsement by the Port). Artist or Donor, at Donor's cost, shall be responsible for obtaining all necessary permissions for use of third party copyrighted materials in the Artwork. Any audiovisual or electronic elements, including images or text on any screen must be clear,

Exhibit A

readable, uninterrupted, and visible from a distance of 10 feet or less from the center of the screen.

2. UNRESTRICTED GIFT OF ARTWORK.

At its sole cost, Donor agrees to irrevocably and unconditionally give, transfer and assign to the Port by way of this unrestricted gift, all right, title, and interest, which it has in the Artwork, including all intellectual property interests it may have as well as all equipment, mechanisms, devices, plans, software, instructions, controls, or other systems required to operate the Artwork and any of its components. The Port shall have full and absolute discretion over the Artwork and administration of the gift, and full and absolute power of ownership, including, without limitation, management, display, activation, maintenance, conservation, placement, removal, and disposition (including dismantling or destruction). For the avoidance of doubt and notwithstanding any other provision of this Agreement, Port, rather than the Donor or Artist, shall have exclusive control of the Artwork.

Donor represents and warrants, and Artist agrees, that Donor has good and complete right, title, and interest to and in the subject of the Artwork; free and clear of all encumbrances and restrictions; and that it has the full power and authority to sell, assign and transfer all right, title and interest in and to the subject of the Artwork, including the corresponding intellectual property rights ("**Warranty of Title and Intellectual Property Rights**"). Donor agrees to indemnify and hold Port harmless from all claims, losses, and liabilities (including attorneys' fees, court costs and all other litigation expenses) arising out of a breach of this Warranty of Title and Intellectual Property Rights.

Donor and/or Artist, at their expense, shall be solely responsible for packing, shipping transferring and installing the Artwork in its Fully-Operational and Durable Condition (as defined below) in the location designated by Port in Pier 27 and subject to Port permitting and any other Port requirements and agreements no later than Two Hundred Fifty (250) days from the date of Board of Supervisors' approval, unless otherwise agreed upon in writing by the parties. Failure to timely deliver the Artwork in its Fully-Operational and Durable Condition shall be a material breach of this Agreement. All of the rights, title and interests in and to the Artwork will pass to Port upon Port's acceptance in writing of proper installation in Pier 27. For purposes of this Agreement, "Fully-Operational and Durable Condition" means that the Artwork and all components thereof, including but not limited to any audiovisual, web-based program or website, computer generated or other electronic or mechanical components, shall, as determined by Port in its sole discretion, function as intended by the parties and in accordance with the Artist's design and specifications and the terms and conditions of this Agreement, without interruption in service or need for non-routine maintenance, repair, redesign or additional parts and be comprised of long-lasting materials and components that are designed to operate in, and withstand damage or deterioration in a non-secure, publicly-accessible space that may be exposed to elements such as weather, temperature variation, and considerable movement of people and equipment with only routine or minimal maintenance and repair. In order for the Artwork to be "Fully-Operational and Durable," the audiovisual, computer generated or other electronic or mechanical components or elements must function both alone and as integrated into the Artwork and must be remotely operable through a web portal to enable remote web-based control of the audiovisual functions of the Artwork with specific control functions such as allowing activation of the visual components without activating the audio components.

Upon execution of this Agreement and updated at Port's request from time to time, Artist shall also deliver an operation and maintenance plan which consists of detailed instructions for at least the following: routine daily cleaning; enabling/disabling each component of the Artwork (including remote web-based control); maintenance, including a maintenance schedule; care and/or replacement of parts of the Artwork and associated equipment; manufacturer's specifications for reasonably foreseeable maintenance; preservation activities; and updating

content of the Artwork. Artist shall update the operations and maintenance plan at Port's request from time to time,

The Artist shall not be responsible for maintenance of the Artwork, but shall remain available either in person or by phone, as well as by electronic mail, for consultation on an as needed basis, at no expense to the Port. Notwithstanding any other provision of this Agreement, Port has no obligation to maintain the Artwork on display, to display the Artwork in any particular location for any particular duration, or to restore or allow maintenance or restoration of the Artwork to its original condition, to compensate any entity for any maintenance, replacement or restoration work, or to maintain the Artwork on display. Port may, in its sole and absolute discretion, remove or deaccession the Artwork or otherwise store, transfer or dispose of the Artwork at any time without notice to Donor or Artist.

3. COPYRIGHT LICENSE AND WAIVER OF RIGHTS

Unique. Artist hereby represents and warrants that all of the work and materials used to create, and operate and maintain the Artwork do not infringe upon or violate any personal or property rights of others, including but not limited to copyright, trademark, trade secrets, patents, rights of privacy and publicity, and that the Artwork and its materials are not libelous or obscene. Except as expressly set forth in this Agreement, Artist makes no warranties, express or implied, including but not limited to any implied warranties of merchantability, fitness for a particular purpose or any warranties arising as a result of Donor or Port usage in the trade or by course of dealing.

Copyright. The Artist warrants that Artist is the sole copyright owner and, subject to the perpetual and irrevocable license granted to the Port under this Agreement, shall retain the copyright to the Artwork and in all work produced by Artist, its employees, or its subcontractors in connection with this Agreement, including without limitation, all drawings, specifications, and models of the Artwork or related to the Artwork, including but not limited to the right to control the making and dissemination of copies or reproduction of the Artwork; provided however, that Artist warrants that the Artwork is an edition of one, and that neither Artist nor Artist's agents will execute or authorize another to execute another work of the same or substantially similar image, design, dimensions and materials as the Artwork. This warranty shall continue in effect for a period consisting of the life of Artist plus 70 years or for the duration of the Artwork's copyright protected status, whichever is longer, and shall be binding on Artist and Artist's heirs and assigns. In the case where Artist is comprised of two or more individual persons or a group of people, the measuring life shall be the life of the last surviving individual person comprising Artist. Recognizing that City has no adequate remedy at law for Artist's violation of this warranty, Artist agrees that, in the event Artist breaches this warranty, City shall be entitled to enjoin Artist's breach, and Artist shall be responsible for reimbursing all of City's costs, including reasonable attorney's fees, incurred in enforcing this warranty.

Copyright License. Artist hereby grants the San Francisco Port Commission, the City and County of San Francisco and City's employees, officials, agents, contractors and assigns (collectively, "Port"), a perpetual, unlimited, non-exclusive and irrevocable license to use, display and reproduce the Artwork and any corresponding identifying information or written material created, installed or produced in connection with this Agreement for any purpose, in all forms and media and in all manners, in whole or in part, and to authorize the making, display and distribution of, derivative works and reproductions of the Artwork, in its sole discretion. Artist agrees that it will not be entitled to any compensation or royalty payment from the Port for such uses, derivative works or reproductions.

Artists Rights Waiver. Artist further agrees to waive and does hereby waive voluntarily all rights to attribution and integrity with respect to the Work and any and all claims as may arise under the Visual Artists Rights Act of 1990, 17 U.S.C. §§106A and 113(d), the California Art Preservation Act (Cal. Civil Code §§987 and 989) or any other local, state foreign or international law, as currently drafted or as may be hereafter amended, that conveys the same or

Exhibit A

similar rights ("**Moral Rights Laws**"), with respect to the Artwork, its display, removal from display, exhibition, installation, conservation, storage, study, alteration (including display without sound or and/or visual components) and any other activities conducted by Port. If the Artwork is incorporated into a building such that the Artwork cannot be removed from the building without physical defacement, mutilation, alteration, distortion, destruction, or other modification (collectively, "**Modification**") of the Artwork, Artist waives any and all such claims under any Moral Rights Laws arising out of or against any current or future owners of the site, and its agents, officers and employees, for Modification of the Artwork. Donor hereby waives any rights it may have under Moral Rights Laws.

Artist acknowledges that all such decisions concerning the Artwork shall be made in the sole discretion of Port. Artist further acknowledges that, other than the rights reserved or granted in this Agreement, he retains no rights in and to the Artwork itself nor to any design, sketches, drawings, maquettes, models, slides, photographs or other related materials with regard to attribution and integrity of the Artwork. In addition, to the extent such rights may not be waived, Artist covenants not to assert such rights against Port.

Port has no obligation to pursue claims against third parties for modifications or damage to the Artwork done without Port's authorization. However, Port may pursue claims against third parties for modifications or damage or to restore the Artwork if the Artwork has been modified without Port's authorization. In the event that Port pursues such a claim, it shall notify the Artist, and Artist shall cooperate with Port's efforts to prosecute such claims.

If Port modifies the Artwork without Artist's consent in a manner that is prejudicial to Artist's reputation, Artist retains the right to disclaim authorship of the Artwork in accordance with 17 U.S.C. §106A(a)(2).

Artist and Donor understand the effect of these waivers and hereby acknowledge that each of them are surrendering the rights described herein with respect to the Artwork.

Except as provided in these waivers, with respect to third parties who are not officers, employees, agents, successors or assigns of Port or City, Artist retains Artist's moral rights in the Artwork, as established in the Visual Artists Rights Act (17 U.S.C. §§106A and 113(d)), the California Art Preservation Act (Cal. Civil Code §§987 and 989), or any other local, state, federal or international moral rights laws that protect the integrity of works of art. Accordingly, nothing herein shall prevent Artist from pursuing a claim for Alteration of the Artwork against a third party who is not an officer, employee, agent, successor or assign of Port. Port has no obligation to pursue claims against third parties to remedy or prevent Alteration of the Artwork.

4. RELEASE AND WAIVER

Each of Donor and Artist, as material consideration for this Agreement, agree that Port shall not be responsible for or liable to them for any and all losses, including, but not limited to, incidental and consequential damages, relating to any injury, accident or death of any person or loss or damage to any property, in or about the location of the Artwork or arising from this Agreement, from any cause whatsoever. In addition, to the fullest extent allowed by any Laws, Donor and Artist hereby waive all rights against Port and, on behalf of itself and its successors and assigns, waives its right to recover from Port, and forever RELEASES, WAIVES AND DISCHARGES, Port from any and all of the losses described above, whether direct or indirect, known or unknown, foreseen and unforeseen, that may arise on account of or in any way be connected with the Artwork or this Agreement.

Donor and Artist also understand that the Artwork shall not be insured by Port for damage or theft and that Pier 27 is a publicly accessible area used both during and after business hours with limited security that is not insured for damage, theft or loss to the Artwork and that Port shall not be responsible for insuring the Artwork or for providing any particular level of security, supervision or lighting of the exhibition area. Donor and Artist hereby waive their right to file any claim against Port and release Port from any liability for any damage, theft, loss of the

Exhibit A

Artwork or other losses arising out of this Agreement and further waive any right to insurance coverage by Port.

Each of Donor and Artist understand and expressly accept and assume the risk that any facts concerning the claims released in this Agreement might be found later to be other than or different from the facts now believed to be true, and agree that the releases in this Agreement shall remain effective. Therefore, with respect to the claims released in this Agreement, each of Donor and Artist waive any rights or benefits provided by Section 1542 of the Civil Code, which reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Each of Donor and Artist specifically acknowledge and confirm the validity of the release made above and the fact that each of Donor and Artist was represented by counsel who explained the consequences of the release at the time this Agreement was made, or that they had the opportunity to consult with counsel, but declined to do so.

The provisions of Section 5 shall survive the expiration or earlier termination of this Agreement.

5. NOTICE.

Without affecting any other provision of this Agreement, as a courtesy to Donor, Port agrees to make reasonable efforts to provide Donor with notice at an address provided in writing by Donor (as changed from time to time) that Port intends to remove, deaccession, store, transfer or dispose of the Artwork. In the event of an emergency, such notification may take place after Port takes such action.

6. SUCCESSORS AND ASSIGNS

The rights under this Agreement are personal in character and neither this Agreement nor any duties or obligations hereunder may be assigned or delegated by the Donor or Artist unless first approved by Port by written instrument executed and approved in the same manner as this Agreement.

7. ENTIRE AGREEMENT

This Agreement contains all of the representations and the entire agreement between the parties with respect to the subject matter of this Agreement. Any prior correspondence, memoranda, agreements, warranties, or written or oral representations relating to such subject matter are superseded in total by this Agreement. No prior drafts of this Agreement or changes from those drafts to the executed version of this Agreement shall be introduced as evidence in any litigation or other dispute resolution proceeding by any party or other person, and no court or other body should consider those drafts in interpreting this Agreement.

8. AMENDMENTS

No amendment of Agreement or any part thereof shall be valid unless it is in writing and signed by all of the parties hereto.

9. GOVERNING LAW

This Agreement is subject to all applicable California and San Francisco laws and shall be construed and interpreted in accordance with the laws of the State of California and City's Charter. This Agreement, including the gift of Artwork contemplated hereunder, shall be subject to all required City approvals.

Exhibit A

10. BOARD OF SUPERVISORS

Notwithstanding anything to the contrary contained in this Agreement, the parties acknowledge and agree that no officer or employee of City has authority to accept the gift of the Artwork unless and until City's Board of Supervisors shall have duly adopted a resolution accepting such gift. Therefore, any obligations or liabilities of City hereunder are contingent upon adoption of such a resolution, and this agreement shall be null and void if City's Mayor and the Board of Supervisors do not adopt such a resolution, in their respective sole discretion. Approval of this agreement by any department, commission or agency of City shall not be deemed to imply that such resolution will be adopted, nor will any such approval create any binding obligations on City.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Exhibit A

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the last date below.

CITY

San Francisco Port Commission

ARTIST:

Floating Point Collective, a LLC, a Delaware limited liability company

By: _____

Monique Moyer
Executive Director

By: _____

Print Name: _____
Title: _____

Approved as to Form:

Dennis J. Herrera
City Attorney

Address: _____

By: _____

Deputy City Attorney

Phone: _____
E-mail: _____

DONOR:

James R. Herman Memorial Committee, a California 501(c)(3) corporation

By: _____

Print Name: _____
Title: _____

By: _____

Print Name: _____
Title: _____

Address: _____

Phone: _____
E-mail: _____

RENDERING

James R. Herman Memorial – Tides of Change



INTERACTION SCENARIO

- + When no one is present in front of the piece, or when people are passing by the sculpture, abstract imagery and visual elements animate across LEDs embedded in the sculpture
- + When people stop and look, the abstract animations evolve into text overlaid on the sculpture. The text will be pulled from a database of quotes from James R. Herman's speeches, as well as quotes about him.



TOUCHSCREEN INTERFACE

- + In addition to interactive elements of the metal sculpture, the touchscreen contains biographical information about Jimmy, searchable through a timeline or thematic navigation.
- + The touchscreen will also have a slideshow mode, displaying images from James R. Herman's life.

James R. Herman 1924-1998

1924 Born in ST. Louis, Missouri, U.S.

1926 Graduated from St. Louis University

1928 Graduated from St. Louis University

1930 Graduated from St. Louis University

1932 Graduated from St. Louis University

1934 Graduated from St. Louis University

1936 Graduated from St. Louis University

1938 Graduated from St. Louis University

1940 Graduated from St. Louis University

1942 Graduated from St. Louis University

1944 Graduated from St. Louis University

1946 Graduated from St. Louis University

1948 Graduated from St. Louis University

1950 Graduated from St. Louis University

1952 Graduated from St. Louis University

1954 Graduated from St. Louis University

1956 Graduated from St. Louis University

1958 Graduated from St. Louis University

1960 Graduated from St. Louis University

1962 Graduated from St. Louis University

1964 Graduated from St. Louis University

1966 Graduated from St. Louis University

1968 Graduated from St. Louis University

1970 Graduated from St. Louis University

1972 Graduated from St. Louis University

1974 Graduated from St. Louis University

1976 Graduated from St. Louis University

1978 Graduated from St. Louis University

1980 Graduated from St. Louis University

1982 Graduated from St. Louis University

1984 Graduated from St. Louis University

1986 Graduated from St. Louis University

1988 Graduated from St. Louis University

1990 Graduated from St. Louis University

1992 Graduated from St. Louis University

1994 Graduated from St. Louis University

1996 Graduated from St. Louis University

1998 Graduated from St. Louis University

Elected to ILWU International Executive Board

The ILWU's annual elections and its place in the history of the ILWU's International Convention in 1938, and later modified by the 1945 Convention

About the ILWU

The ILWU is a national union and is made up of approximately 45,000 members in over 60 local unions in the states of California, Washington, Oregon, and Alaska. The ILWU is the largest union in the world, and is the only union in the world that is a part of the International Labor Union of the Americas (ILU).

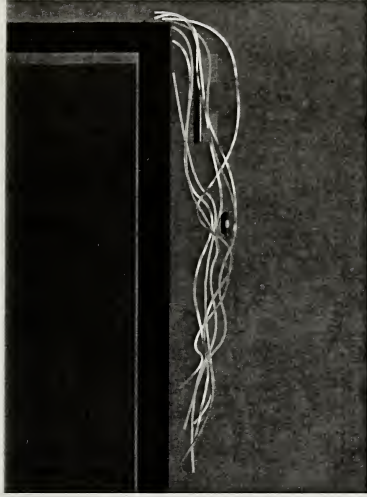
Images + Video

TECHNICAL RENDERING

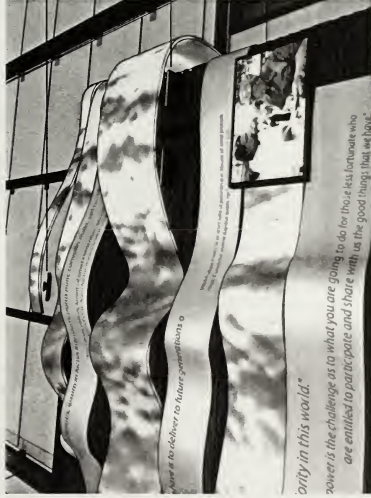


IP Camera

Memorial Plaque



Top view of wave forms and tech components



Kinect Depth Camera

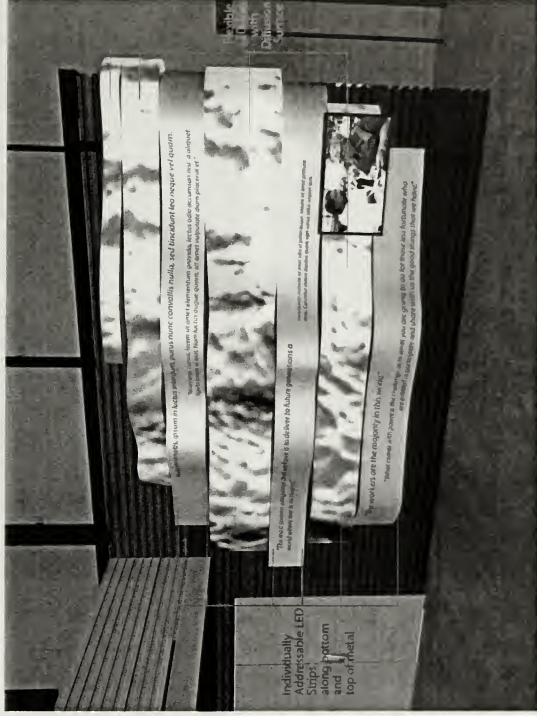
Directional Audio Speakers

46" LCD Touchscreen

TECHNICAL RENDERING

TWO TYPES OF WAVES

- + The metal waves of the sculpture will alternate between two types of LED lighting
- + Four waves will be covered with outward-facing LED matrix tiles, which are flexible and can curve along the form of the sculpture.
- + These tiles will also be covered by a diffusion element
- + Three waves will have quotes by James R. Herman etched onto their surface.
- + Individually addressable LEDs will be lined along the top and bottom of the metal waves, with patterns of light reflecting the LED tiles.
- + All LEDs will only display white colored light.



CAMERA VISION FOR INTERACTIVITY

- + A Kinect v1 depth camera will be used to watch people in front of the installation.
- + The Kinect camera combines a traditional RGB camera with an IR depth sensor and is able to accurately track peoples' distances from the camera in the space.
- + The visual elements animating across the sculpture will change according to the activity and amount of people in the space.
- + These renderings depict the approximate field of view of the Kinect camera.



TECHNICAL OVERVIEW

9'-7"

KINECT IR CAMERA

11'-7 1/4"

DIRECTIONAL
SPEAKERS

9'-7"

SPEAKER / STROBE

46" DIAGONAL
TOUCHSCREEN

80"

40"

27"

23.5"

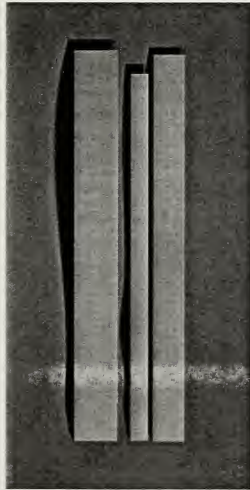
EQ. EQ.

LOBBY - SOUTH

SCALE: 1/4" = 1'-0"



88

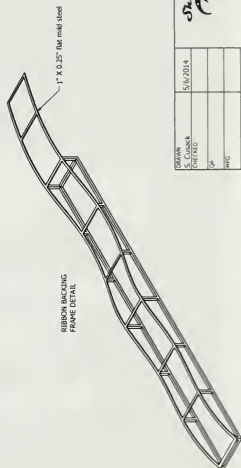
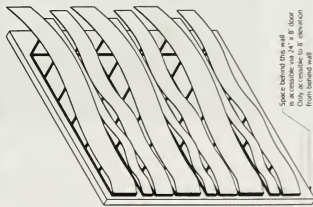
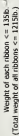


Fabrication renderings for stainless steel wave form



Fabrication renderings for stainless steel rear-side mounting structure





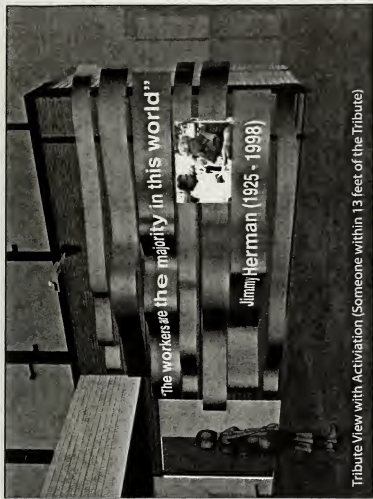
SEAN S. CURRICK CHECKED	5/6/2014
QA	
WFG	
APPROVED	

Sheet Metal Alchemist

- Space behind this wall is accessible via 24" x 8" door. Only accessible to 8' elevation from behind wall.



Tribute View without Activation



Tribute View with Activation (Someone within 13 feet of the Tribute)



Tribute, Pier 27 James R. Herman Cruise Terminal



MEMORANDUM

June 5, 2014

TO: MEMBERS, PORT COMMISSION
Hon., Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer
Executive Director *MMoyer*

SUBJECT: Request approval of contract terms and authorize staff to execute a contract with Dockwise USA, LLC in an amount not to exceed \$2.97 million for transfer of title and transport of Drydock #1, plus \$270,000 in potential demurrage incurred at loading, subject to Board of Supervisors' approval of waiver of competitive contract bidding and other standard City contracting requirements

DIRECTOR'S RECOMMENDATION: Approve the proposed contract terms

EXECUTIVE SUMMARY

The Port's Drydock #1 was constructed for the Navy in 1942 for the purpose of constructing and repairing military vessels. In the custody of the Port's shipyard tenant, it was declared unfit for service in 1999, and suffered operational failure on its final lift. The Port has made multiple attempts to dispose of Drydock #1 since that time, all of which have been unsuccessful. It has taken on water multiple times during storm surge conditions, and due to continued deterioration, is at increasing risk of sinking. In 2009, the Port successfully sought \$3 million in federal assistance from the United States Department of Defense which the U.S. Navy, through its subcontractors, used to complete Phase I of the project. Phase I consisted of disposal of the drydock end sections, reducing the overall length of Drydock #1, and analysis of options for Phase II of the project to dispose of the remaining Drydock #1 midsection. That analysis concluded that the option posing the least overall technical risk, and thus, the preferred option, is a dry tow of Drydock #1 by way of a semisubmersible heavy-lift vessel to an appropriate overseas ship recycling facility.

Port project staff members are currently in contract discussions with a global heavy-lift company, and are seeking Port Commission approval to enter into a contract for sale and

THIS PRINT COVERS CALENDAR ITEM NO. 11A

transport of Drydock #1 for disposal at a certified ship recycling facility, in keeping with the Phase II recommendation of the U.S. Navy and its subcontractors.

OVERVIEW

On October 23, 2012, the Port Commission approved Resolution 12-84 authorizing the Executive Director to enter into a memorandum of understanding with the United States Navy to facilitate execution of Phase I of the project to dispose of the Port's Drydock #1.

With the assistance of the Port, the U.S. Navy -- through Titan Salvage ("Titan") and Zaccor Companies ("Zaccor") -- completed Phase I of the project in October of 2013. Phase I involved demolishing and recycling the end sections and reducing the length of Drydock #1 by 30%, opening up multiple previously-unavailable options for completing the final phase of the project. Phase II is planned to complete disposal of the remaining drydock midsection. At the request of Port staff, the Navy earmarked the last tranche of federal funds for the Titan project manager/engineer and naval architect to analyze Phase II alternatives and provide an expert recommendation. Titan delivered the final project report on September 30, 2013, recommending as its preferred alternative movement of Drydock #1 by way of a heavy-lift vessel ("dry tow") to a certified overseas ship recycling facility. Following that report, Port staff asked the Navy to direct Titan to provide analysis of additional Phase II alternatives. On January 30, 2014, Titan issued the supplemental Mid-Body Disposal, Alternative Method Statement, which concludes: *"The most economic option with the least technical risk overall continues to be a semisubmersible dry tow to a suitable [disposal] location readily found outside the United States."*

Based on recommendations by the Navy Salvage Master who managed Phase I of the project, Port staff engaged in talks with Dockwise USA, LLC ("Dockwise") for Phase II disposal. Under this alternative, title to Drydock #1 would transfer from the Port to Dockwise following the loading of Drydock #1 onto a semisubmersible heavy-lift vessel in San Francisco Bay. Though not a part of the Port's proposed contract with Dockwise, the Port expects Dockwise will transport Drydock #1 to an internationally certified overseas ship recycling facility.

The 22,000 ton midsection of Drydock #1, which measures 408' long, 128' wide and 54' high, is currently moored at Pier 50 next to the Port's Maintenance Division shed (see Exhibit A).

HISTORY

Drydock #1 was constructed for the Navy in 1942 for the purpose of constructing and repairing military vessels. Operated at Pier 70 by Bethlehem Steel (later by Todd Shipyard) with other military assets, it was part of one of the largest ship producing efforts for the United States for World War II. Navy contractors used Drydock #1 exclusively for that purpose until the late 1960s. As opportunity for use of the drydock began to diversify, Pier 70 operators began servicing non-military vessels, participating as a commercial enterprise in the ship repair market until the late 1990s.

In 1987, the Port of San Francisco acquired Drydock #1 through bankruptcy proceedings of the shipyard operator at that time, Todd Shipyard. For the next 12 years, Drydock #1 remained in operation and in the custody of the Port's Pier 70 tenant. In 1999, the Drydock revealed signs of extreme wear and tear and was removed from service. At that time, the Port sought out a replacement drydock, ultimately acquiring the U.S. Navy surplus drydock "Steadfast" (renamed the "Eureka"). Drydock #1 was determined at that time to be no longer viable as a ship repair asset and declared surplus for disposal. While waiting for the arrival of the Eureka, Drydock #1, in fact, suffered operational failure during its final heavy lift.

In 2000, following City policies and procedures for disposal of City surplus property, the Port offered Drydock #1 for auction, hoping to sell the salvage rights of the asset. Working through the City Purchasing Department, Nationwide Auctions Company awarded the winning bid to an individual for the sum of \$76,000. Shortly thereafter, it became clear that the winning bidder did not have the resources necessary to remove Drydock #1 from Port property and take possession of it and, as part of a claim settlement, the transaction was cancelled.

In 2002, the Port again put Drydock #1 up for auction. This time, the bids received had a negative value, requiring the Port to provide funds for disposal. As the surprising complexity of disposal of Drydock #1 had become apparent to Port staff members, it became clear that disposal would be an expensive proposition. This could not have been more evident than when, on November 7, 2002, in severe winds, Drydock #1 broke loose of its moorings, floated out into San Francisco Bay and ran aground on Yerba Buena Island. Its eventual recovery cost the Port upwards of \$1.7 million.

There were several more attempts by Port staff to enter into a contract for disposal of Drydock #1 over the remainder of the decade, all of which resulted in unsuccessful partnerships with responders ultimately incapable of properly handling disposal.

Port staff have reviewed Drydock #1 for historic significance, and found that it is not a historically significant asset.

CURRENT PROJECT FOR DISPOSAL -- COMPLETION OF PHASE I

In 2010, Port staff successfully sought out federal assistance through Congresswoman Nancy Pelosi and the congressional appropriations process. The United States Congress appropriated \$3 million to the Department of Defense ("DOD") for the purpose of assisting the Port with remediation and demolition of Drydock #1¹. After a lengthy search, DOD selected the salvage arm of the U.S. Navy, Naval Sea Systems Command, Office of the Supervisor of Salvage Operations ("the Navy") to administer the project. The Navy then engaged its previously competitively bid salvage contractor for the American west coast, Titan, to act as general contractor, which in turn engaged Zaccor as demolition subcontractor. Titan is a worldwide marine salvage company with U.S. Headquarters in

¹ This appropriation was intended to enable DOD to assist the Port with the then-estimated 75% share of disposal of Drydock #1 – an amount proportional to the years of service to the U.S. Navy over the course of its operational life.

Houston, Texas. Zaccor is a licensed California general engineering contractor and is a City-certified Local Business Enterprise. Located at the Port's Pier 94-96, Zaccor specializes in general demolition, marine demolition, salvage and environmental remediation.

After extensive analysis, the marine salvage experts at the Navy and Titan refined the scope of phase one work to removal, demolition and recycling of the two end sections, reducing the length of Drydock #1 from 584' down to 408'. Under the supervision of the Navy and Titan, Zaccor skillfully removed the end section wing walls, separated the bow and aft sections, and landed each in turn at the slipway at Pier 70, where demolition could be conducted in a contained cell². All activity was closely monitored and approved by Port environmental staff.

Phase I demolition, remediation, recycling and site restoration was completed in October of 2013 at a total cost of just under \$3.2 million, with the Port providing \$193,514 through a Department of Public Works work order to supplement the Navy's \$3 million federal project.

PHASE II RECOMMENDATION

At the request of Port staff, the Navy earmarked part of the 2010 \$3 million appropriation to fund expert analysis of Phase II disposal alternatives. On September 30, 2013, Titan delivered the final project report, analyzing several alternatives and recommending movement of Drydock #1 by way of a heavy-lift vessel to a certified overseas ship recycling facility. Following that report, Port staff asked the Navy to direct Titan to provide additional Phase II analysis, to include additional alternatives not part of the September 30, 2013 final report. On January 30, 2014, Titan issued the supplemental Mid-Body Disposal, Alternative Method Statement, which concludes: *"The most economic option with the least technical risk overall continues to be a semisubmersible dry tow to a suitable [disposal] location readily found outside the United States."*

Based on U.S. Navy recommendations, Port staff engaged in talks with Dockwise, a Dutch held global marine heavy-lift and transport company with U.S. headquarters also domiciled in Houston, Texas. According to Dockwise, they operate the largest fleet of specialized vessels in the world, consisting of 25 semi-submersible heavy transport vessels (see Exhibit B). Dockwise provided the Port with a quote of \$2.97 million, payable in exchange for Dockwise accepting ownership, title and all liability for Drydock #1 once the drydock is loaded onto a Dockwise heavy-lift transport vessel in San Francisco Bay. While the Port's obligations would end once the lift operation is complete (defined as the deck of the lift vessel breaking the surface of the Bay), the Port has made an additional condition of sale that Dockwise provide the Port with a certificate of proper disposal upon conclusion of the ensuing ship recycling operation. The certificate of proper disposal would be provided by Sea2Cradle, a third party environmental organization that specializes in monitoring the

² Drydock #1 is too wide to fit into the Pier 70 slipway; use of that facility for the end sections was only possible by virtue of rotating the end sections 90 degrees, where they became approximately 10' more narrow.

decommissioning, breaking, remediation and recycling of large seagoing vessels to ensure compliance with the highest international standards.

Though the Port's ownership interest and associated liability will end upon completion of the loading operation in San Francisco Bay, the public nature of the project warrants discussion of its final disposition. To facilitate its contract with the Port, Dockwise will concurrently enter into a contract with a new, state of the art ship breaking yard in Zhejiang Province, China. The Zhoushan Changhong International Ship Recycling Co., Ltd yard has been certified³ and is fully compliant with the 2009 Hong Kong Convention on ship recycling. Additionally, this ship yard and its parent firm have an excellent record with Sea2Cradle. For these reasons, members of the Port's environmental staff prefer this method of disposal at this location.

ENVIRONMENTAL REVIEW AND TESTING

Between 2007 and 2014 Port staff has commissioned four thorough environmental assessments of Drydock #1. The first round of sampling in 2007 was a general, systematic survey and hazardous materials inventory. In 2011, while project staff members were evaluating Phase I and Phase II alternatives that included torch cutting of painted steel, the Port contracted for a second set of environmental sampling specific to paint coatings. In 2013, under the supervision of the Navy and Titan, and in conjunction with Phase I of the project, project staff conducted a third set of tests which involved robust sampling of sediments and other materials dislodged during the course of end section demolition. In May of 2014, as part the Port's analysis of Phase II alternatives and contracting, the City Attorney retained outside expert maritime counsel who brought to the Port's attention additional guidance from the U.S. Environmental Protection Agency ("EPA") on likely sources of polychlorinated biphenyls ("PCBs") in World War II era vessels. Based on that EPA guidance, project staff directed a fourth round of robust sampling around the thresholds in Federal law for shipment of PCBs across international boundaries⁴.

Sampling and analyses from these investigations included routine petroleum hydrocarbons, polycyclic aromatic hydrocarbons, chlorinated hydrocarbons, lead and other metals, asbestos, polychlorinated biphenyls (PCBs), and pesticides. Materials found in concentrations that require managing as hazardous wastes included petroleum hydrocarbons, asbestos, and lead, all of which were properly managed during Phase I of the project. Through all four rounds of sampling, testing showed no presence of PCBs in concentrations that exceeded regulatory thresholds, clearing the way for Dockwise to enter into contract with the Port.

³ In 2012, the yard was awarded certificates under each of the following management programs: OHSMS 18001 (international British-based standard for occupation safety and health), ISO14001 (internationally recognized system for environmental management), and ISO 9001 (internationally recognized system for business management).

⁴ Accordingly, Dockwise requires as a contract term a certification that Drydock #1 is PCB free.

PROJECT SOURCES AND USES

The project budget below includes all costs that are specifically associated with the project for disposal of Drydock #1. Other operational costs associated with the Port's ongoing stewardship of the drydock are not included. The contingency line item consist of six days of demurrage⁵ charges that would only be incurred after exhaustion of two days of free time and two days of allowed weather delay (see discussion under below under "Contract Terms").

Phase I – Federal Project, Managed by U.S. Navy at Port Direction

Sources

U.S. Department of Defense	\$3,000,000
Port as-needed engineering contract funds	193,514
	3,193,514

Uses

U.S. Navy contract with Titan as GC and for A&E, with Zaccor as demolition subcontractor	3,000,000
DPW work-order for project site restoration	193,514
	3,193,514

Phase II – Port Project (proposed)

Sources

Port of San Francisco capital fund appropriation	3,270,000
--------------------------------------------------	-----------

Uses

Contract with Dockwise - ownership transfer and transport	2,970,000
Westar Harbor Services – drydock towing and positioning for heavy lift operation	30,000
Contingency for demurrage	270,000
	3,270,000

Project Total	\$6,463,514
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SCHEDULE

The vessels targeted for the proposed heavy-lift operation would mobilize from Cartagena, Columbia, through the Panama Canal, with the Dockwise vessels MV SWAN and MV TERN able to arrive in San Francisco on September 1st and 17th, respectively. In order to commit to such substantial mobilizations, these vessels require full commitment a minimum of 30 days prior to departure. Prior to execution of the contract, Port staff will need to get approval from the Board of Supervisors for waiver of the competitive bid process, as well as other standard City contract provisions. The following is the anticipated schedule for Phase II:

⁵ "Demurrage" refers to charges a vessel charterer pays for extra use of the vessel, outside the original charter window. Demurrage is a standard provision in all maritime goods movement contracts.

Port Commission approval of material contract terms	June 10, 2014
Board of Supervisors approval of Ordinance waiving competitive bidding and signature by the Mayor	July 15, 2014
Execution of contract between Port and Dockwise	July 16, 2014
Dockwise heavy lift vessel departs Cartagena, Columbia	August 25, 2014
Arrival in San Francisco of Dockwise heavy lift vessel	September 17, 2014
Completion of loading operation (Port ownership interest and liability ends)	September 18, 2014
Arrival of Dockwise vessel carrying Drydock #1 at ship recycling facility at Zhoushan, China	October 10, 2014
Completion of ship recycling operation	November 10, 2014
Receipt of green ship recycling certification from Sea2Cradle	December 10, 2014

CONTRACT TERMS

Because project scheduling precludes returning to the Port Commission for additional approvals following the Board of Supervisors' action, Port staff is requesting approval of material contract terms, as opposed to the finalized contract itself, while details continue to be finalized.

Specifically, Port staff seeks authorization to enter into a contract that:

- does not obligate the Port to Dockwise in excess of \$2.97 million for transfer of title and overseas transport, with an additional contingency of \$270,000 for potential demurrage charges;
- irrevocably transfers title of Drydock #1 and all associated liability to Dockwise upon completion of loading Drydock #1 onto a Dockwise heavy-lift vessel in San Francisco Bay;
- contains indemnity provisions that have been approved by the City Risk Manager and City Attorney; and
- includes retention of a certified third-party ship recycling environmental monitor, with post-recycling certification deliverable upon conclusion of the contract.

As part of Dockwise's standard contract, demurrage would accrue at a rate of \$45,000 per day. The proposed contract allows the Port two "free days" before demurrage charges would begin to accrue. Further, at the urging of Port staff, Dockwise has included an additional two-day allowance for weather delays. In an abundance of caution, Port staff consulted with the San Francisco Bar Pilots on weather conditions typical for September on San Francisco Bay. Given the need for only a four-to-six hour window for lift operations and the sheltered nature of San Francisco Bay, both the Port and Dockwise staffs consider the risk of incurring demurrage charges to be minimal. All that considered, the project includes a contingency of \$270,000 for the extremely unlikely event that up to six additional days are needed beyond the four already allowed under the terms of the proposed contract to conclude the loading operation.

SURPLUS PROPERTY FINDING

The Port's Surplus Furniture, Fixtures and Equipment Policy of 2004 establishes criteria for when Port-owned equipment is surplus and may be sold or otherwise disposed. Drydock #1 meets several of these criteria which include that it has been fully depreciated and it is beyond repair. The only remaining option is to process it for the recycling value of the steel. Port staff has also reviewed Drydock #1 for historic significance, and found that it is not a historically significant asset. Port staff has, therefore, determined that Drydock #1 meets the criteria of the Port's policy for surplus equipment. The Port staff is in the process of seeking approval through the San Francisco Purchaser's office, and based on discussion with that office, anticipates no difficulty in obtaining the authorization for disposal.

WAIVER OF COMPETITIVE BIDDING

Pending approval by the Port Commission of the proposed contract terms, the Port will seek an ordinance waiving the competitive bidding process, and other standard City contracting ordinances, as necessary. Though discussion of contract details is ongoing, Dockwise has agreed in principle to accept many of the City's standard contract terms, which, if in the finalized contract, would obviate the need for a waiver on those particular ordinances.

RECOMMENDATION

Drydock #1 is an unsightly and blighted piece of equipment that has been a drain on Port resources to protect against storms and other calamities. Disposal of Drydock #1 will both reduce the Port's financial risk and its operational costs. It also will remove hazardous blight from the San Francisco Bay. As such, the Port staff recommends Port Commission approval of the proposed terms for contract with Dockwise for disposal of the Port's Drydock #1, subject to approval of a waiver of competitive bidding by the Board of Supervisors.

The Port staff further recommends that the Port Commission authorize the Executive Director to enter into a contract that:

- does not obligate the Port to Dockwise in excess of \$2.97 million for transfer of title and overseas transport, with an additional contingency of \$270,000 for potential demurrage charges;
- irrevocably transfers title of Drydock #1 and all associated liability to Dockwise upon completion of loading Drydock #1 onto a Dockwise heavy-lift vessel in San Francisco Bay;
- contains indemnity provisions that have been approved by the City Risk Manager and City Attorney; and
- includes retention of a certified third-party ship recycling environmental monitor, with post-recycling certification deliverable upon conclusion of the recycling operation.

The proposed contract terms represent the best option for divestiture of a long-held Port liability, in terms risk management, cost and environmental considerations.

Prepared By: Daley Dunham, Special Projects
Executive Division

Richard Berman, Utility Specialist
Real Estate Division

Prepared For: Peter Dailey, Deputy Director
Maritime Division

Attachments:

Exhibit A – Drydock #1 moored at Pier 50

Exhibit B – Dockwise "SWAN" class heavy-lift vessels

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-40

- WHEREAS, In 1999, Port staff determined that Drydock #1 was, as a result of advanced age, no longer viable as a ship repair asset, and declared the drydock surplus, and since that time the Port has made numerous attempts to contract for the sale or proper disposal of Drydock #1, all of which resulted in unsuccessful transactions; and
- WHEREAS, In 2009 the Port successfully sought through the congressional appropriations process federal funding to assist with remediation, demolition and disposal of Drydock #1, whereby Congress appropriated \$3 million to the United States Department of Defense to that end; and
- WHEREAS, The Department of Defense selected the United States Navy, Naval Sea Systems Command (Navy) to administer those funds, and the Navy successfully executed Phase I of the project through its previously competitively bid general contractor for salvage work on the west coast, Titan Salvage (Titan); and
- WHEREAS, A part of the Navy's contract with Titan for Phase I was to analyze and recommend further Phase II work for remediation and dismantling of Drydock #1, and Titan recommended a submersible dry-tow to an appropriate overseas ship recycling facility as the least risky option; and
- WHEREAS, Based on the Navy's recommendation, the Port entered into contract discussions with Dockwise USA LLC (Dockwise), a global marine heavy-lift and transport company, for transfer of title and overseas transport of Drydock #1; and
- WHEREAS, Drydock #1 has been thoroughly tested for polychlorinated biphenyls ("PCBs") and found to have levels of PCBs well below reportable levels under environmental regulations; and
- WHEREAS, The Dockwise solution is the approach preferred by Port environmental staff because the ship recycling would take place at a facility that is specifically designed for this activity and compliant with the latest international environmental standards; and
- WHEREAS, Port staff is in good faith contract negotiations with Dockwise to finalize detailed terms and conditions, and seeks Port Commission approval for the Executive Director to enter into a contract with Dockwise for an amount not to exceed \$2.97 million for transfer of title and overseas transport of Drydock #1, plus \$270,000 in potential demurrage incurred at loading, and upon other material terms and conditions described herein; and

WHEREAS, The Port Commission approves of Port staff seeking waiver of competitive bidding for this project from the Board of Supervisors; and

WHEREAS, Port staff propose the following material terms and conditions for the contract with Dockwise: 1) the Port shall pay to Dockwise a contract fee not exceeding \$2.97 million for transfer of title and transport, plus \$270,000 in potential demurrage charges incurred at loading; 2) title and all transferrable liability associated with Drydock #1 will transfer to Dockwise upon completion of the loading of Drydock #1 onto the Dockwise vessel in San Francisco Bay; 3) the Port/City will indemnify Dockwise for any claims or damages that occur prior to the loading operations, provided that the City Risk Manager and City Attorney approve of such indemnity terms; and 4) Dockwise shall retain Sea2Cradle, or a similar certified third-party ship recycling environmental monitoring firm, and provide the Port with certification that the recycling operation was conducted in keeping with a specific Ship Recycle Plan that meets the standards for the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships; and

WHEREAS, The proposed contract with Dockwise requires an Ordinance from the Board of Supervisors waiving competitive contract bidding, and, pending contract discussions, may require waiver of other certain other City contracting requirements, namely the Administrative Code and Environment Code including, without limitation, Chapters 6, 12B, 12C, 12P, 12Q, and 14A, 14B, and 21 of the Administrative Code and Chapters, 2, 5, and 8 of the Environment Code; now, therefore, be it

RESOLVED, That, subject to the Board of Supervisors' waiver of competitive contract bidding and the City contracting requirements listed above, the Port Commission hereby authorizes the Executive Director to enter into a contract with Dockwise for an amount not to exceed \$2.97 million for transfer of title and overseas transport of Drydock #1 plus \$270,000 in potential demurrage incurred at loading, and upon the material terms and conditions listed herein and described in the accompanying staff report; and be it further

RESOLVED, That the Port Commission hereby authorizes the Executive Director to execute any amendments or modifications to the Agreement, in such form as approved by the City Attorney's Office, provided such amendments or modifications do not materially increase the obligations of the Port.

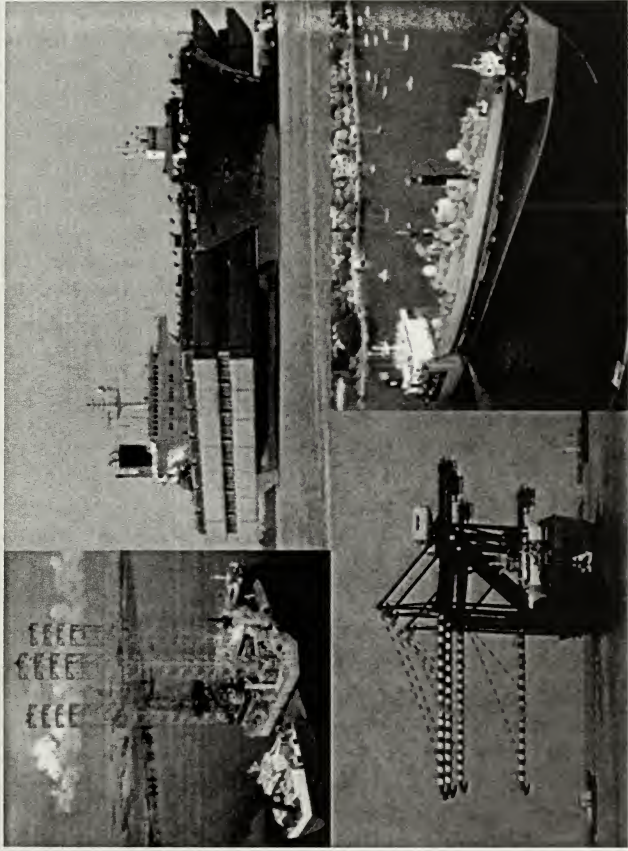
I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of June 10, 2014.

Secretary

Exhibit A – Drydock #1 moored at Pier 50



Exhibit B – Dockwise “SWAN” class heavy-lift vessels





MEMORANDUM

June 5, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *MMoyer*
Executive Director

SUBJECT: Request approval of Second Amendment to Lease No. L-14282 with the San Francisco Bar Pilots Benevolent and Protective Association for space located at Pier 9 located on The Embarcadero at the foot of Vallejo Street to reduce the size of the Premises, change the security deposit instrument type, specify future rent adjustments and make other changes

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

At its meeting on May 13, 2014, the Port Commission heard an item regarding a second amendment to Lease No. L-14282 with the San Francisco Bar Pilots. Members of the Port Commission had numerous questions and comments and asked Port staff to clarify certain issues and negotiate others with the San Francisco Bar Pilots. Port staff has attempted to clarify the issues raised at the May 13, 2014 meeting and has negotiated terms that are more beneficial to the Port. This report explains these clarifications and outlines the revised business terms. Material updates to the May 13, 2014 Port Commission meeting memorandum are presented herein as underlined text. In particular, Port staff wishes to highlight the change to the proposed market rate adjustments. Port staff now requests Port Commission approval of the proposed amendment.

STRATEGIC OBJECTIVE

The proposed lease amendment benefits the Port by modifying a lease with a leading maritime tenant; allowing expansion and further renovation of Pier 9 by Autodesk for their robotic laboratory; and easing vehicular circulation for all Pier 9 tenants.

EXECUTIVE SUMMARY

This amendment would reduce the size and rent of the parking area of the San Francisco Bar Pilots' current premises, specify future rent adjustments, update the security deposit requirement, and add new City and Port legal requirements. It also would facilitate the orderly expansion of the Autodesk Pier 9 premises allowing additional investment in Port facilities while solving vehicle circulation issues as a result of Autodesk's earlier expansion.

BACKGROUND

The San Francisco Bar Pilots Benevolent and Protective Association (the "Bar Pilots") has been operating on San Francisco Bay since 1850, more than a decade before the Port of San Francisco was officially established in 1863. Since 1989, the Bar Pilots' headquarters have been at Pier 9, on The Embarcadero at the foot of Vallejo Street. The premises consist of approximately 19,718 square feet of office; 20,088 square feet of shed (used for parking and storage); and 14,342 square feet of apron space (used for vessel berthing). The current lease, No. L-14282 (the "Lease"), was approved in April 2008, and amended in December 2009; it expires in December 2026. As of January 1, 2014, the Bar Pilots' monthly rent is \$109,361.48 which equates to \$1,312,337.76 in annual rent. The Bar Pilots are a maritime tenant in good standing.

Another large tenant at Pier 9 since 2012 is Autodesk, Inc., a Delaware corporation ("Autodesk"). Autodesk's current premises are 27,160 square feet (see attached location map). Autodesk has made a significant investment into Pier 9 and is a tenant in good standing.

The Port Commission, at its December 6, 2013 meeting, approved a Third Amendment to Lease No. L-15169 with Autodesk, Inc. ("Autodesk Third Amendment") recently approved by the Board of Supervisors at its May 13, 2014 meeting. The Autodesk Third Amendment increases Autodesk's premises by 3,400 square feet. Autodesk intends to construct a robotic laboratory in the unimproved shed space, which is located adjacent to its current premises. The Amendment requires Autodesk to invest no less than \$2,040,500 in base building core-and-shell and tenant improvements.

The Autodesk expansion space would directly abut the Bar Pilots' cyclone fence and effectively block one of the gates to the Bar Pilots' premises which the Bar Pilots now use as an entrance gate. Though the Port is within its rights under the Bar Pilots' lease to unilaterally reconfigure the area to allow the expansion of the Autodesk premises, the new configuration would result in the Bar Pilots' having only one gate to its premises and the Bar Pilots and other Pier 9 tenants have raised concerns about general vehicle ingress and egress.

Autodesk and the Bar Pilots have mutually agreed that a better solution to this would be to relocate the Bar Pilots' fence and entrance gate eastward, thereby reducing the Bar Pilots parking area by 5,018 square feet, and creating space for improved vehicle circulation and paths of travel, including access to the new Bar Pilots' entrance gate and a vehicle turn-around area. This proposed Second Amendment to the Bar Pilots lease

reduces the Bar Pilots' parking area by 5,018 square feet and decreases the corresponding monthly rent by \$5,319.08.

In consideration of this accommodation, Autodesk is required to relocate the Bar Pilots' fence and gates, plus any corresponding electronic apparatus, at its sole cost and expense. In addition, Autodesk will reimburse the Bar Pilots for any costs incurred in the construction or alterations to any access to the exterior apron deck that will be necessary due to the relocation of the fence. Autodesk will also reimburse the Port for any loss of rent resulting from the Bar Pilots' space reduction or loss of parking stalls through the term of the Autodesk Lease, which is January 23, 2023. These terms are included in the Autodesk Third Amendment.

Additionally, Port staff and Bar Pilots have agreed to two other modifications to the lease: (i) the rent reset in 2020 would be pegged to prevailing market rates with no guaranteed minimum (as previously proposed in May 13, 2014) but the rental reset in 2015 would remain as currently authorized in the lease which also would be pegged to prevailing market rates with a guaranteed minimum (revised business term since May); and (ii) the Bar Pilots would be granted the ability to substitute certain financial instruments other than cash for their security deposit fund (for example, a Standby Letter of Credit). Specifically the rent adjustment in Year 10 (starting January 1, 2020) will be reset to prevailing market rates, rather than the higher of the current base rent or the prevailing market rate which could result in a decrease in Base Rent depending upon market conditions at that time. This constitutes a change from the original lease which provided that the rent would be reset at the higher of the then-current Base Rent or the Prevailing Market Rate. The amendment that the Port Commission considered at its meeting on May 13, 2014 proposed to reset both the 2015 and 2020 rental rates at prevailing market rate whether such rate was higher or lower than the current rate. At the Port Commission's urging, the proposal herein to amend only the 2020 rental reset to prevailing market without a guaranteed minimum rent as per the original lease. The 2015 reset would retain the guaranteed minimum and would be the higher of the then-current Base Rent or the Prevailing Market Rate. Finally, the Bar Pilots have agreed to include updates to the Port's standard lease provisions such as indemnification language that provides the Port with greater protections and a section that encourages local business participation.

PROPOSED AMENDMENT TO LEASE

Port staff and the Bar Pilots have agreed on terms and conditions of a Second Amendment to amend certain provisions of the Lease to: (i) reduce the size by 5,018 square feet and rent by \$5,319.08 for Parcel B of the Premises; (ii) specify that the rent adjustment in Year 10 (starting January 1, 2020) will be to prevailing market rates (rather than the higher of the current base rent or the prevailing market rate) which could result in a decrease in Base Rent depending upon market conditions; (iii) update the security deposit requirement to allow the Bar Pilots to provide a financial instrument other than cash for the remaining security deposit now due on January 1, 2015, for example, a Standby Letter of Credit; and (iv) update standard lease provisions and add new City and Port requirements, such as updating the indemnification language and encouraging local business participation. The Bar Pilots currently make an effort to

contract with as many small locally owned business as possible for services that include: janitorial services, marine supplies, marine engine repair, computer and electronic services, accounting and general boat maintenance. The Bar Pilots will continue their current practices of hiring as many local businesses as possible and seek out locally owned businesses when future opportunities arise.

Existing Bar Pilots' Rent Schedule:

Month Base Rent	Months	Sq. Ft.	Monthly Base Rent	Total Monthly Base Rent
Parcel A Parcel B Parcel C	49-60	19,718 (Office) 20,088 (Shed) 14,342 (Apron)	× \$4.27 × \$1.06 × \$0.27	= \$ 84,195.86 = \$ 21,293.28 = <u>\$ 3,872.34</u> = \$109,361.48
Parcel A Parcel B Parcel C	61-120*	19,718 (Office) 20,088 (Shed) 14,342 (Apron)	The higher of the then-current Base Rent or the Prevailing Market Rate discounted by 20% and increased by 3% annually	
	121-204	19,718 (Office) 20,088 (Shed) 14,342 (Apron)	The higher of the then-current Base Rent or the Prevailing Market Rate and increased by 3% annually	

Under the proposed Second Amendment the schedule for Monthly Base Rent and premises square feet shall be as follows:

Monthly Base Rent	Months	Sq. Ft.	Monthly Base Rate	Total Monthly Base Rent
Current Commencing 1/1/2014	49-60	19,718 (Office) 15,070 (Shed) 14,342 (Apron)	\$4.27 \$1.06 \$0.27	\$84,195.86 \$15,974.20 <u>\$3,872.34</u> Total \$104,042.40
Year 6 Commencing 1/1/2015	61-120	19,718 (Office) 15,070 (Shed) 14,342 (Apron)	The higher of the then-current Base Rent or the Prevailing Market Rate discounted by 20% and increased by 3% annually	
Year 10 Commencing 2020	121-204	19,718 (Office) 15,070 (Shed) 14,342 (Apron)	Prevailing Market Rate and increased by 3% annually	

California Environmental Quality Act

Under the California Environmental Quality Act (CEQA), the environmental effects of the Second Amendment were reviewed and determined to be exempt from CEQA under a General Rule Exclusion issued by the San Francisco Planning Department to the Port.

dated February 2, 2012, which allows the Port to lease and manage property where there is no change or substantial intensification of the existing use.

RECOMMENDATION

The proposed lease amendment benefits the Port by modifying a lease with a leading maritime tenant; allowing expansion and further renovation of Pier 9 by Autodesk for their robotic laboratory; and easing vehicular circulation for all Pier 9 tenants. Additionally, it provides the Port with the opportunity to achieve greater lease protections and to require the Bar Pilots to encourage local business participation. Staff recommends the Port Commission approve the attached Resolution and authorize the Executive Director to execute the Second Amendment to Lease No. L-14282.

Prepared by: Jeffrey A. Bauer
Senior Leasing Manager

For: Peter Dailey
Deputy Director, Maritime

Attachment
Map of Autodesk expansion project

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-41

- WHEREAS, Section B3.581 of the Charter of the City and County of San Francisco empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and
- WHEREAS, the San Francisco Bar Pilots Benevolent and Protective Association (the "Bar Pilots") has been operating in San Francisco since 1850; and
- WHEREAS, the Bar Pilots have been a Port of San Francisco maritime tenant at Pier 9 since 1989 and are a Tenant in Good Standing; and
- WHEREAS, the Port Commission approved a Third Amendment to Lease No.L-15169 with Autodesk, Inc. ("Autodesk") to expand its premises by 3,400 square feet which expansion space abuts the Bar Pilots' current cyclone fence and entrance gate thereby blocking the Bar Pilots' entrance and making vehicle ingress and egress difficult; and
- WHEREAS, the Bar Pilots have agreed to reduce its premises by 5,018 square feet to relocate the fence, entrance gate and electronic apparatus at Autodesk's sole cost and expense and Autodesk has also agreed to reimburse the Port for any lost rent resulting from the reduction of the Bar Pilots' premises; and
- WHEREAS, as further described in the Memorandum dated June 5, 2014, the Bar Pilots and the Port negotiated a Second Lease Amendment to amend certain provisions of the Lease to: (i) reduce the premises by 5,018 square feet and corresponding monthly rent by \$5,319.08; (ii) specify that the rent adjustment in Year 10 will be to prevailing market rates (rather than the higher of the current base rent or the prevailing market rate), which could result in a decrease in Base Rent depending upon market conditions; (iii) allow a security deposit in a form other than cash; and (iv) update standard lease provisions and add new City and Port requirements; and
- WHEREAS, pursuant to requirements under the California Environmental Quality Act (CEQA), the environmental effects of the Second Amendment were reviewed and determined to be exempt from CEQA under a General Rule Exclusion issued by the San Francisco Planning Department to the Port, dated February 2, 2012, which allows the Port to lease and manage property where there is no change or substantial intensification of the existing use; and

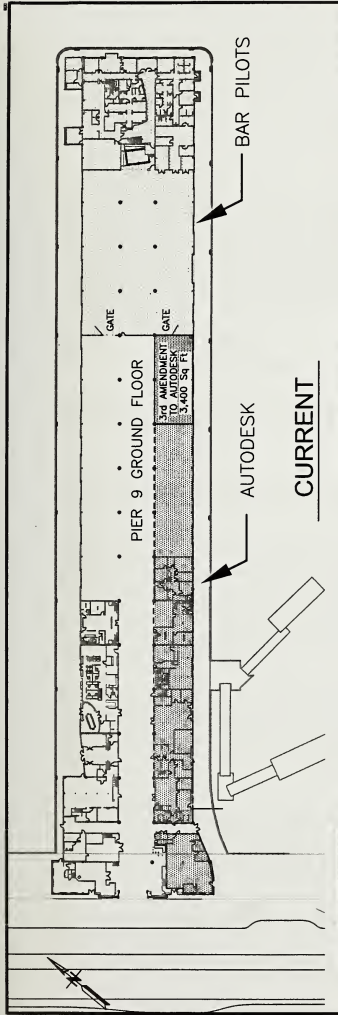
WHEREAS, Port staff recommends that the Port Commission approve the Second Amendment to Lease No. L-14282; now therefore be it

RESOLVED, that the Port Commission approves the Second Amendment to Lease No. L-14282 with the San Francisco Bar Pilots as described in the Memorandum dated June 5, 2014 and substantially in the form on file with the Port Commission Secretary and authorizes the Executive Director or her designee to execute the amendment; and be it further

RESOLVED, that the Port Commission authorizes the Executive Director or her designee to enter into any additions, amendments or other modifications to the Second Amendment that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the City or Port or materially decrease the benefits to the City or Port, and are necessary or advisable to complete the transactions which the Second Amendment contemplates and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director or her designee of such documents.

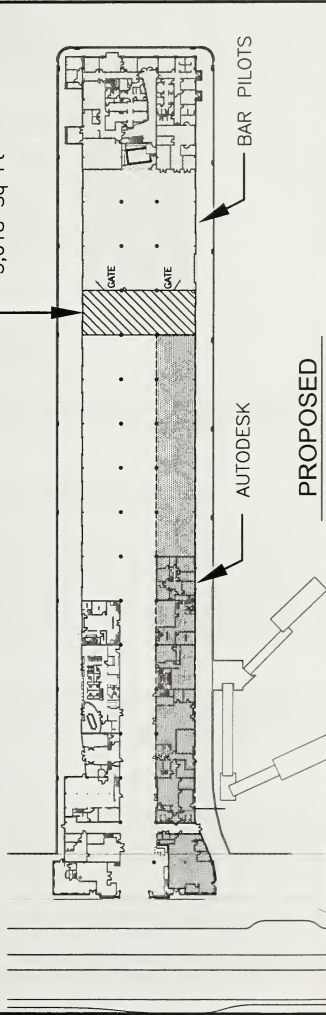
I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of June 10, 2014.

Secretary



CURRENT

COMMON AREA
5,018 Sq Ft



PROPOSED

TENANT

SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

DRAWN BY: EDC DATE: OCT 11, 2012

CHECKED BY: J. BAUER

PLACE CODE NO.

SHEET NO.

1090-00

OF

SHEETS

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MEMORANDUM

June 5, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *MMoyer*
Executive Director

SUBJECT: Request Approval of the Fiscal Year 2014-15 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event and Filming Rates

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

This item was presented as an information item at the May 27, 2014 Port Commission meeting and is now before the Port Commission for approval. At the requests of President Leslie Katz and Commissioner Doreen Woo Ho, Port staff has amplified certain detail concerning the Port's Real Estate portfolio. Such detail is provided below under the heading Rental Portfolio and is denoted with dashed-underlining. Port staff has also included an accompanying Resolution for the Port Commission's consideration and a recommendation for approval.

Port Commissioners also requested a report on the need for tenant improvements within the Port's office portfolio and the ability to improve Class C office space to Class B office space. Port staff is working on this information and will present a report to the Port Commissioners at a future meeting.

Background

The Port Commission periodically reviews and sets rental rates for its commercial leasing properties. These rates are known as the Port's Monthly Rental Rate Schedule, Monthly Parking Stall Rate Schedule and Special Event and Filming Rate Schedule (together, the "Rental Rate Schedule").

Separately, starting in 1993, the Port Commission delegated authority to the Executive Director to approve and execute (i) leases, (ii) licenses and (iii) Memoranda of

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Understanding ("leases") provided that the terms of these agreements conform to certain minimum parameter terms of the Port's leasing policies. These parameter terms include a schedule of minimum rental rates for leases, aka the Rental Rate Schedule that are delegated to the Executive Director for execution without Port Commission approval.

For the past several years, the Port Commission has assumed the practice of reviewing rates on an annual basis, and enacting a new Rental Rate Schedule which typically includes increases to rental rates for some properties, decreases to rental rates for other properties and unchanged rates for most properties. The Port Commission's review is based on recommendations from Port staff following staff's research of current market conditions (see "Rate Setting Methodology" below). At the request of the Port Commission, Port staff first present the proposed new Rental Rate Schedule as an informational item to allow the Port Commission and the public the opportunity to review the proposal, make inquiries and request amendments if needed. Thereafter, Port staff present a final Rental Rate Schedule, with an effective date, for Port Commission approval.

The Port's current Rental Rate Schedule for Fiscal Year 2013-14 was adopted by the Port Commission in June, 2013 and became effective as of July 1, 2013. It will remain in effect until the Port Commission adopts a successor Rental Rate Schedule with a new effective date. Port staff presents the attached proposed Rental Rate Schedule for Fiscal Year 2014-15 for the Port Commission's and public's review and discussion. Port staff proposes that, if adopted at a subsequent Port Commission meeting, the Rental Rate Schedule for Fiscal Year 2014-15 take effect on July 1, 2014.

Rental Portfolio

The Port's portfolio area consists of 7½ miles of waterfront property adjacent to the San Francisco Bay, from Hyde Street Pier in the northeast to India Basin in the southwest. It includes more than 834 acres consisting of 629 acres of landside property and 205 acres of waterside property. Commercial operations on Port property include restaurants, retail shopping, ferry service, commercial fishing, Bay excursion, professional sports, bulk cargo, cruise ship calls and ship repair. The Real Estate Division manages approximately 550 commercial leases, which represent 309 commercial and industrial tenants including long-term ground leases at Fisherman's Wharf, Pier 39, Piers 15-17, Piers 1½-3-5, Pier 1, the Ferry Building and AT&T Park.

The Port's properties available for commercial leasing consist of approximately 13.1 million square feet, as described below. As such leases expire, are amended or renewed, they become subject to the Rental Rate Schedule. Such properties consist of:

- Office Spaces: approximately 315,105 square feet of Class B and Class C space located in 18 separate buildings throughout the Port's portfolio. Office space also include space for office storage which generally carries a lower rate than the related office space
- Industrial Sheds: approximately 1,834,864 square feet of industrial sheds located at 16 piers and 6 sea wall lots ("SWLs")

- Open Land: approximately 980,100 square feet of unpaved land, 9,954,391 square feet of paved land, 871,200 square feet of improved land, and 360,000 square feet of submerged land open Pier space: generally refers to pier aprons and valley areas
- Fishing Industry Uses: non-berthing spaces utilized fish wholesaling, fish processing and fishing gear storage consisting of approximately 25,000 square feet of improved space at Pier 45, warehouse space at Pier 33 and at 699 Illinois Street and related pier aprons
- View office pricing. Imbedded in the Minimum Rate Schedule are rate differentials for superior office locations with views. For example, at the Agriculture Building, a Class C Building, office rates for non-view offices range from \$1.50 to \$2.00 per square foot, while offices with views range from \$2.40 to \$2.60 per square foot. At Pier 35, interior office rates range from \$2.00 to \$2.25 per square foot, offices with view range from \$2.50 to \$2.75 per square foot.
- Lease definitions: GROSS RENT or Full SERVICE RENT is the rent calculated inclusive of all building outgoing costs including janitorial, utilities, maintenance and repairs, and security. NET RENT is the rent calculated excluding the before mentioned building outgoing costs. ASKING RENT is the quoted rental rate before taking into account incentives or increases and is not the final contract rate. EFFECTIVE RENT is the rental rate averaged out over the term of the lease and giving consideration for rent free periods or up-front incentives such as a tenant improvement allowance, wall and floor coverings, or a free rent period.
- The commercially available data compares City wide full service office rates including those located in the central business district and therefore is not entirely an accurate market comparable to that of Port office rates usually rented on a Net Basis in a smaller geographic area. In addition, the commercial data is the asking rate not the contract rate which is not available except on a case by case basis. The asking rent does not account for any tenant improvement credits offered by private landlords or other incentives to derive a Net Rate.
- Tech companies are increasingly setting up office in San Francisco, and investing in unconventional office spaces with design quirks and a faux-rustic look. Partly, this is a Human Resource move in that many of tech companies' current and potential workers are San Francisco residents who enjoy the city's amenities such as restaurants and public transportation, and don't want to commute from the South Bay. Tech companies want to be where the action is. So much of tech companies' success is about innovating and in order to innovate tech companies need the talent, and to attract the talent, they need to be in a cool-funky space. Port property offers the opportunity to tech companies for this type of space. The majority of Port space is architecturally interesting and does lend itself to these types of users. The Port has engaged several of the tech industry tenants as evidenced by recent leases such as Autodesk at Pier 9, Koozoo at Pier 26 Bulkhead, Ammunition at the Roundhouse, Aclima at the

Roundhouse, IDEO at Pier 26 Annex, and MK Think at the historically significant Beltline Railroad at Roundhouse 1. Several incentives are imbedded in the delegated authority such as the ability to provide free rent periods for space preparation, floor and wall covering credits, and some rate negotiation flexibility.

- The following chart compares a similarly situated office submarket converted to Net Rates to that of Port Net office rates for both Class B and C office rentals. The Port rates are slightly higher than the private office submarket in the same geographic location:

Office Submarket	Class	Buildings	Rent PSF NET
Non-Port Northern Waterfront	B	21	\$2.56
Port Northern Waterfront Office 2014/15 Minimum Parameter Rate	B	5	\$2.84
Non-Port Northern Waterfront	C	10	\$2.05
Port Northern Waterfront Office 2014/15 Minimum Parameter Rate	C	4	\$2.37

The Port manages a sizeable and diverse portfolio of assets. Assets managed by the Port's Real Estate Division generated approximately \$63.6 million in annualize revenue. Rates for such properties are negotiated in a variety of manners. Parameter rental rents impact shed, office, and parking stall customers, or approximately 14% of total Real Estate Revenues, as shown in the table.

Category	Annualized Revenue*	% of Total
Parameter Shed or Land	\$5,503,166	8.7%
Parameter Office	3,073,845	4.8%
Parameter Parking (Stalls)	503,185	0.8%
Subtotal Parameter Revenues	\$9,080,196	14.3%
Parking Lots	12,872,878	20.2%
Ground Lease / Developments	11,844,753	18.6%
Non-Parameter Shed or Land	11,846,197	18.6%
Restaurant and Retail	8,970,493	14.1%
Parking Meters/Fines	7,043,146	11.1%
Non-Parameter Office	1,540,553	2.4%
Film/Event/Other	390,153	0.6%
Subtotal Non-Parameter Revenues	\$54,508,173	85.7%
Total Real Estate Revenues	\$63,588,369	100.0%

**Annualized Revenue is an estimate of the annual revenue by detailed category; dividing actual receipts by detailed category is not possible.*

Leasing Policies

The Rental Rate Schedule is one of several Port Commission directives and policies to address real property agreements in accordance with the Port's mission to manage and steward the Port's diverse real estate assets. Embedded in the Port's management of its portfolio is its obligation to charge market rates for its property. Generally, the leases, licenses and Memoranda of Understanding that Port staff executes under this delegation include agreements for use of existing structures, facilities and land involving negligible or no expansion or change of use. A synopsis of Port Leasing Policies providing for delegated authority to staff is contained in Exhibit H hereto.

Rate Setting Methodology

In reviewing and proposing the Rental Rate Schedule, Port Real Estate staff adhere to the following methodology:

1. Review available commercial data including comparable market rates of similarly situated properties to that of Port properties (see Exhibit D, Bibliography). With respect to office space, Port staff consulted market reports published by five San Francisco real estate firms. With respect to industrial space, Port staff consulted a market report published by Cassidy Turley. With respect to fishing space, Port staff consulted five separate fishing harbors. With respect to parking, Port staff surveyed various parking lots/garages in adjacent areas (see Exhibits F1 & F2, Parking). A summary of Port staff's findings is presented throughout the remainder of this report.

It should be noted that the commercially available data reviewed by Port staff is based on full service office leases not net leases, like those of the Port. Additionally, these comparable rates are the market asking rates not the final contract rates. The final contract rates are not available in most cases from private landlords and would only be available on an ad hoc basis. The difference between a full service lease and a net lease is approximately \$1.00 to \$1.25 per square foot. The majority of Port offices are leased on a triple net basis so a comparison to commercially available data is not precise.

2. Review Port leasing activity for the prior 12 months (included as Exhibit I). Staff uses Port leasing data as a measure of whether the current Rental Rate Schedule is in-line with current market conditions. Large vacancies would signal that rental rates are too high and low to no vacancy would signal that they are not high enough.
3. Third party consultant review: The Port has contracted with Keyser Marston Associates (KMA), a third party consultant, to review the proposed Rental Rate Schedule for Fiscal Year 2014-15. KMA gave input to the Port's proposed Rental Rate Schedule and submitted a report summarizing their work (see Exhibit G).

Market Summary - Office

San Francisco's unemployment rate stands at 5.2% (source: Federal Reserve Bank, May 2014) down from 6.8% in January 2013. The San Francisco office market continues to improve at a steady pace. Net absorption (the change in occupied space) for San Francisco was a positive 349,377 square feet in the first quarter. Asking rents have strengthened and are on track to grow at a steady pace through 2014 (*Source: Cushman & Wakefield First Quarter Office Report 2014*). In 1Q 2014 San Francisco average office rental rates were as follows:

Office Rental Rate per Square Foot

<u>Office Type</u>	<u>SF Monthly</u>	<u>SF Annual</u>	<u>Port Monthly</u>	<u>Port Annual</u>
Class A full service	\$4.88	\$58.64	n/a	n/a
Class B full & net	\$4.41 full	\$52.95 full	\$2.69 net	\$32.28 net
Class C full & net	\$3.38 full	\$40.59 full	\$1.63 net	\$19.50 net

The majority of the Port's leases are "triple net" leases meaning that the tenant has agreed to pay all property insurance, real estate taxes, utilities and janitorial service for the premises. The table below illustrates the conversion to Triple Net lease rates from Full Service lease rates. As a matter of practice, office rates listed in commercial rate

reports are quoted for full service leases and they are quoted as asking rates only not the final contract rates.

Office Rental Rate Conversion from Full Service to Triple Net Service

<u>Office Type</u>	<u>SF Monthly</u>	<u>SF Annual</u>	<u>Port Monthly</u>	<u>Port Annual</u>
Class B Net	\$3.16	\$37.92	\$2.69	\$32.28
Class C Net	\$2.13	\$25.56	\$1.63	\$19.50

The majority of Port-managed office spaces primarily fall into the *Class C* category of office space with the exception of the Roundhouse Plaza, Pier 9, Pier 26 Annex, Pier 33½, and Pier 35, which are considered *Class B*. While the Port's portfolio contains *Class A* office space, it is managed by master tenants and not subject to the Port's Rental Rate Schedule such as the Ferry Building, Pier 1, Pier 1½-3- 5.

Class A office buildings are usually located in central financial districts with higher-end amenities and lobbies. *Class A* office buildings are usually steel-framed and tall. Current rental rates for *Class A* office full service space in San Francisco's Financial District average \$5.01 per square foot per month (\$60.20 annualized). In the submarket of Jackson Square/North Waterfront, rates are \$4.02 per square foot per month (\$48.89 annualized). The Port does not directly manage any *Class A* office buildings. (Source: *Cushman & Wakefield First Quarter 2014*)

Class B office buildings have good (versus excellent) locations, management and construction, and tenant standards are high. *Class B* buildings have very little functional obsolescence and deterioration. In practical terms, *Class B* buildings are usually newer, wood-framed buildings or older and/or former *Class A* buildings. *Class B* office buildings are usually three stories or less. The average San Francisco *Class B* full service office rents as of 1Q 2014 range from \$4.49 to \$4.88 per square foot per month (\$53.93 to \$58.65 annualized). The Port has approximately 150,000 square feet of *Class B* office space. (Source: *Cushman & Wakefield First Quarter 2014*)

Comparatively, the average Port of San Francisco *Class B* net and full service office space for 1Q 2014 ranges from \$2.38 to \$3.00 per square foot per month (\$28.56 to \$36.00 annualized). The range is somewhat wider than the overall City average due largely to the fact that the Port manages both full service and net *Class B* offices in both the northern and southern waterfront. Typically, offices located in the southern waterfront command a lower rate due to their more remote location away from transportation and other local amenities. Typical office expenses in net leases range from \$1.00 to \$1.25 per square foot. As such, a full service lease that would command \$3.00 per square foot per month is likely to command \$1.75 to \$2.00 per square foot per month after payment of expenses by the tenant. (Source: *Port of San Francisco Lease Activity April 1, 2013 to March 31, 2014, Exhibit B*)

Class C office buildings are typically 15 to 25 years old but are maintaining steady occupancy. The Port has 180,000 square feet of *Class C* office space. A fair number of the *Class C* office spaces in the Port's inventory are not truly office buildings but rather walk-up office spaces above retail or service businesses. The average San Francisco *Class C* net and full service office space for the same period shows rental rates

averaging \$3.38 per square foot per month (\$40.59 annualized). Note that the majority of the San Francisco *Class C* leases are full service leases. (Source: Cushman & Wakefield First Quarter 2014)

In 1Q 2014 the average Port of San Francisco *Class C* net and modified net office space for the same period ranges from \$1.25 to \$2.00 per square foot per month (\$15 to \$24 annualized). The reason that the Port average is lower than the City is because 90% of Port *Class C* space is located in the Southern Waterfront further away from downtown, transportation and other local amenities. (Source: Port of San Francisco Lease Activity April 1, 2013 to March 31, 2014, Exhibit B)

The table below gives a snap shot of rental markets broken out by Class type and by geographical area.

San Francisco Office Submarkets First Quarter 2014

Class A Office	Class	Inventory	# of Buildings	Direct Vacancies	Direct Vacancy Rate	Direct Average Rental
San Francisco CBD	A	40,616,366	106	3,329,074	8.2%	\$60.20
NOMA Financial District	A	19,886,115	52	1,697,570	8.5%	\$59.89
SOMA Financial District	A	20,730,251	54	1,631,504	7.9%	\$60.56
San Francisco Non-CBD	A	11,174,181	74	1,064,799	9.5%	\$51.42
Jackson Square	A	598,696	8	28,547	4.8%	\$48.25
North Waterfront	A	1,401,730	12	73,800	5.3%	\$48.89
East SOMA	A	2,047,371	13	122,589	6.0%	\$60.17
West SOMA	A	181,960	1	0	0.0%	N/A
The Presidio	A	833,255	4	63,831	7.7%	\$60.00
Union Square	A	580,952	9	22,209	3.8%	\$44.21
Van Ness Corridor	A	383,331	5	55,382	14.4%	\$42.00
Showplace Square/Potrero Hill	A	1,194,154	5	103,216	8.6%	\$50.00
Mission Bay	A	1,056,735	4	269,307	25.5%	\$59.12
Yerba Buena	A	1,435,199	6	159,009	11.1%	\$51.50
Civic Center/Mid-Market	A	1,460,798	7	166,909	11.4%	\$45.92
Total		51,790,547	180	4,393,873	8.5%	\$58.64

Class B Office	Class					
San Francisco CBD	B	6,901,777	62	648,594	9.4%	\$53.93
NOMA Financial District	B	4,608,853	33	427,209	9.3%	\$50.97
SOMA Financial District	B	2,292,924	29	221,385	9.7%	\$58.65
San Francisco Non-CBD	B	9,078,294	124	1,289,192	14.2%	\$52.10
Jackson Square	B	818,046	17	75,533	9.2%	\$49.43
North Waterfront	B	1,374,322	21	227,235	16.5%	\$45.76

East SOMA	B	1,075,963	17	73,383	6.8%	\$56.02
West SOMA	B	163,449	4	0	0.0%	N/A
The Presidio	B	197,372	4	0	0.0%	N/A
Union Square	B	1,389,131	23	61,754	4.4%	\$50.26
Van Ness Corridor	B	342,625	7	0	0.0%	N/A
Showplace Square/Potrero Hill	B	1,445,883	16	350,328	24.2%	\$54.69
Mission Bay	B	0	0	0	0.0%	N/A
Yerba Buena	B	832,991	9	111,365	13.4%	\$56.12
Civic Center/Mid-Market	B	1,438,512	6	389,594	27.1%	N/A
Total		15,980,071	186	1,937,786	12.1%	\$52.95

Class C Office	Class					
San Francisco CBD	C	2,330,683	44	191,602	8.2%	\$40.73
NOMA Financial District	C	1,358,367	24	34,356	2.5%	\$51.21
SOMA Financial District	C	972,316	20	157,246	16.2%	\$38.99
San Francisco Non-CBD	C	4,975,471	83	199,798	4.0%	\$40.35
Jackson Square	C	74,064	3	4,300	5.8%	N/A
North Waterfront	C	449,731	10	39,328	8.7%	\$39.71
East SOMA	C	1,123,451	18	5,829	0.5%	\$45.00
West SOMA	C	492,763	8	24,706	5.0%	\$36.60
The Presidio	C	0	0	0	0.0%	N/A
Union Square	C	1,203,906	20	20,715	1.7%	\$49.60
Van Ness Corridor	C	60,000	1	0	0.0%	N/A
Showplace Square/Potrero Hill	C	471,005	8	0	0.0%	N/A
Mission Bay	C	0	0	0	0.0%	N/A
Yerba Buena	C	840,193	10	89,686	10.7%	\$38.54
Civic Center/Mid-Market	C	260,358	5	15,234	5.9%	N/A
San Francisco Class C Total		7,306,154	127	391,400	5.4%	\$40.59

Source: Cushman & Wakefield First Quarter 2014

Market Summary - Industrial and Warehouse

The Bay Area has approximately 159 million square feet of warehouse rental space, which is divided into four primary regions listed below in order of inventory size, from largest to smallest:

1. East Bay I-80/880 Corridor has the majority of the warehouse rental space
2. Santa Clara County
3. San Mateo County and
4. San Francisco County

San Francisco represents approximately 12% of the total Bay Area warehouse rental space. The San Francisco industrial market consists of three major submarkets:

- i. Mission/South of Market (SOMA)
- ii. 3rd Street Corridor/Potrero Hill and
- iii. Bayview/India Basin

The combined total building inventory for industrial use in these three zones is approximately 19.3 million square feet, more than three quarters of which is located in the Mission/SOMA and 3rd Street Corridor/Potrero Hill areas. (Source: Cassidy Turley 1Q 2014 Warehouse Market Bay Area)

The San Francisco-Bay Area industrial and warehouse market-wide vacancy rate stood at 7.96% at the end of the 1Q 2013 and dropped to 6.3% in 1Q 2014. Average asking rents vary by submarket from \$0.43 to \$0.80 per square foot per month, on gross (fully loaded) basis. (Source: Cassidy Turley Bay Area Warehouse Report 1Q 2014 & Port of San Francisco Lease Activity April 1, 2013 to March 31, 2014, Exhibit B)

Industrial & Warehouse Rental Rate Per Square Foot

<u>SF Monthly</u>	<u>SF Annual</u>	<u>Port Monthly</u>	<u>Port Annual</u>
\$0.62	\$7.38	\$1.05	\$12.60

The majority of Port warehouses are categorized as *Class C*. The Port's industrial properties have various levels of improvements including partitions, fencing, electrical service, plumbing, etc. These industrial/warehouse spaces are typically leased under "net" leases with space defined as "gross leasable area." The majority of these spaces lack loading docks, attached office space and non-permeable concrete floors, and they share a common drive aisle. Despite the limited infrastructure, the Port has been able to negotiate rental rates comparable to those of private landlords. This is due in large part to the close proximity of the Port's warehouse space to the City's financial and social center. During the previous twelve months, Port warehouse rates have averaged \$0.85 to \$1.25 per square foot (\$10.20 to \$15 annualized). These rates are higher than current comparable rental market conditions as discussed above. Despite limited infrastructure of Port warehouse properties, staff has been able to negotiate rates above the San Francisco Bay Area average. Demand for Port warehouse and industrial space has strengthened through 1Q 2014.

During the prior reporting period, 1Q 2013, the Port's industrial and warehouse vacancy was 0.3%. The Port's current warehouse vacancy rate has remained stable at 0.3% (excludes facilities in the America's Cup Host Venue Agreement).

San Francisco/Bay Area 1Q 2014 Warehouse Overview Bay Area First Quarter 2014

	Inventory	Sublet Vacant	Direct Vacant	Vacancy Rate	Current Net Absorption	YTD Net Absorption	Under Construction	Average Asking Rent
Submarket								
SF County	20,345,162	83,072	1,052,939	6.6%	73,249	73,249	0	\$0.80
San Mateo County	40,788,361	432,769	2,676,588	6.5%	648,000	648,000	0	\$0.77
East Bay Oakland	74,175,132	1,047,110	4,933,902	5.0%	9,498	9,498	2,221,735	\$0.43
Santa Clara County	31,267,798	223,104	2,807,663	8.9%	4,605	4,605	0	\$0.62
TOTAL	166,576,453	1,786,065	11,471,092	6.3%	735,352	735,352	0	\$0.59

(Source: Cassidy Turley Bay Area Warehouse Report 1Q 2014)

Port Vacancy

The demand for space along the Port's waterfront is high. The Port's current office vacancy rate is 4.1% (excludes facilities in the 34th America's Cup Host & Venue Agreement). The Port's vacancy rate is lower than the citywide office vacancy rate of approximately 8.5%. The Port's industrial/warehouse is 1%.

Port Leasing Volume

In the period from April 1, 2013 to March 31, 2014, Port Real Estate staff executed 66 real property agreements totaling \$362,404 per month or \$4,348,848 annualized during the 12 month period. Office leases comprised 19 agreements, industrial/warehouse agreements comprised 33 agreements, land agreements comprised 13 agreements, and 1 lease constituted a retail agreement.

Monthly Rental Rate Schedule

The proposed Rental Rate Schedule is presented for Port Commission review and consideration. The Rental Rate Schedule is organized first by type of use and lease type (full vs net) and second by property/geographical location. For each property, the Rental Rate Schedule provides a range of rents on a gross basis and a net effective basis. The gross basis, entitled *Minimum Initial Lease Rental Rates*, represents the market rent range for the first year of the lease. The net effective basis, entitled *Minimum Net Effective Rental Rates*, represents the net effective rent calculated and applied over the lease term after rent credits for flooring and wall coverings are amortized over the term of the lease. The Port Commission has previously approved application of rent credits for flooring and wall coverings. Port staff has the authority to issue tenant improvement allowances for floor and wall coverings if those credits do not result in the net rent over the term of the lease to be below the Minimum Net Effective Rental Rates found in the Rental Rate Schedule. For example, for office space at the Roundhouse Plaza in the northern waterfront, the proposed Minimum Initial Lease Rental Rate range is \$2.75-3.25 per square foot, per month and the proposed Minimum

Net Effective Rental Rate range is \$2.50-3.00 per square foot per month. Allowances for paint (set by the Port Commission in June 2010) may be made up to a maximum of \$3.50 per square foot. Allowances for floor covering, up to a maximum of \$5.00 per square foot (approved July 2012), are allowable when: 1) new paint and/or floor covering is necessary in order to lease space in full service office buildings; and 2) Port staff is unable to perform such work prior to the proposed lease commencement date. These allowances are considered "landlord's work"; therefore such work is not included in calculating the minimum Initial Lease Rental Rates.

The proposed Rental Rate Schedule for Fiscal Year 2014-15 lists out all commercial properties and their associated Minimum Initial Rental Rates and Net Effective Rental Rates. It is attached hereto as Exhibit A. The Rental Rate Schedule is a minimum rental schedule and gives Port staff authority to negotiate higher rates or the flexibility to quote rates in the mid-range or lower range of the Rental Rate Schedule when justified, for properties that may be physically sub-standard or oddly configured.

Port leases are annually indexed by either the Consumer Price Index (CPI) or fixed rate adjustments currently ranging from 2.5% to 3.5%. Most of the Port's leases provide for a "mark to market" adjustment on an extension or option date. Most also provide for a "mark to market" adjustment upon expiration if they go to month-to-month holdover status while a new lease or a termination is negotiated.

Proposed Changes to Rental Rate Schedule for Fiscal Year 2014-15

Given Port staff's market research, the Port's own leasing experience and the overview by KMA, Port staff recommends adjustment of the minimum rental rates for certain Port properties to better reflect current market conditions. Port staff proposes changes to the current Rental Rate Schedule for certain office and industrial shed space as follows.

1. The following office properties are currently in high demand and are experiencing limited vacancy rates. Staff recommends revising minimum monthly rents for these locations in recognition of demand and limited vacancy at these locations.

Office Class B Gross Leases

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Roundhouse Plaza	\$2.50	\$3.25

As illustrated in the previous table titled "San Francisco SubOffice Markets" above prepared by Cushman & Wakefield, equivalent gross lease class B office rates in the adjacent area to the Roundhouse Facility are:

Class B San Francisco Non-CBD Gross Lease	B	Monthly Average	Annual average
Jackson Square	B	\$4.34	\$52.10
North Waterfront	B	\$4.12	\$49.43
		\$3.81	\$45.76

Office Class B Net Leases

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Pier 9 Bulkhead Bldg.	\$3.00	\$3.25
b)	Pier 9 office	\$2.75	\$3.00
c)	Pier 26 Annex Bldg.	\$2.75	\$3.00
d)	Pier 33 ½ North	\$2.50	\$3.00
e)	Pier 33 Bulkhead Bldg.*	\$0.00	\$2.50

**new rate representing the facility's upgrade and reactivation*

On average, net lease rates are \$1.25 per square foot per month less than equivalent gross leases. Cushman & Wakefield's adjusted net lease rates for Class B office space in the same geographic area are:

Class B San Francisco Non-CBD Net Lease	B	Monthly Average \$3.09	Annual average \$37.10
Jackson Square	B	2.87	\$34.44
North Waterfront	B	2.56	\$30.72

Office Class C Net

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Pier 9 Studio/office	\$2.25	\$2.50
b)	Pier 29 Annex Bldg.	\$2.50	\$3.00
c)	490 Jefferson Street	\$1.75	\$2.25
d)	Pier 50 Bulkhead Bldg.	\$2.00	\$2.25

On average, net lease rates are \$1.25 per square foot per month less than equivalent gross leases. Cushman & Wakefield's adjusted net lease rates for Class B office space in the same geographic area are:

Class C San Francisco Non-CBD Lease	C	Monthly Average	Annual average
North Waterfront - Net	C	\$2.06	\$24.71

- As illustrated above, Cassidy Turley reported industrial/warehouse rates for 1Q 2014 in San Francisco as \$0.80 per square foot per month. Because of increased demand on these properties, Port staff recommends revising minimum monthly rents for the following Port industrial/warehouse locations:

Pier Shed and Land:

Northeast Waterfront

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Pier 33-35	\$0.95	\$1.00
b)	SWL 302	\$0.75	\$1.00
c)	Pier 24	\$2.50	\$3.00

South Beach/China Basin

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Pier 26-28	\$0.95	\$1.00

However, Port staff recommends one reduction in minimum rent based on further investigation of the attributes of Pier 54 in the South Beach/China Basin sector of the portfolio. Pier 54 is a compromised pier in that its state of disrepair has reduced its remaining useful life and prohibits the Port from executing leases with longer terms. Additionally, the compromised integrity of the pier necessitates vehicle load limitations. Both of these issues create downward pressure on Pier 54's market value and limit staff's ability to command higher rental rates. Staff believes that the prior rental rate of \$1.25 per square foot was too aggressive and recommends a lower rate of \$0.70 per square foot.

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Pier 54	\$1.25	\$0.70

Southern Waterfront

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	SWLs 343 & 354	\$0.85	\$0.90
b)	SWL 345	\$0.85	\$0.90
c)	Pier 92 & SWLs 344 & 349	\$0.85	\$0.90

Open Land and Pier Uses

Port staff also recommend amendment to certain unpaved and paved land lease rates. Staff believes that the prior rental rates shown below were too aggressive and recommends lower rates due to competition from Oakland and South San Francisco with rental rates for unpaved and paved land at \$0.10 and \$0.16 respectively.

Industrial Gross Leases

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Unpaved Land	\$0.30	\$0.28
b)	Paved Land	\$0.35	\$0.30

3. The rental rates at Pier 45 Fish Processing Center were last adjusted in 2013. Port staff recommends adjustments in the following rate categories to better reflect current market conditions in the fishing industry.

Fishing Industry Pier Shed and Land

Item #	Facility	From Minimum Rate per sq. ft. / month	New Minimum Rate per sq. ft. / month
a)	Pier 45 Sheds	\$0.85	\$0.95
b)	Non-Berth Holders	\$0.45	\$0.60
c)	Aprons	\$0.24	\$0.25
d)	Fish Gear Storage Non-Berth Holders	\$0.55	\$0.60

(Research sources: Port of San Francisco, Santa Cruz Harbor, Pilar Point Harbor, Spud Point Harbor, Morro Bay Harbor, Crescent City Harbor 2014)

Telecommunications Leases

The Port may enter into leases for telecommunication sites (wireless cellular sites) for up to nine years without Port Commission approval (Resolution No. 96-123). The Port Commission's initial approved rate was \$1,600 per month. The current rate has increased 19% per year or 350% over the initial rate. Based on recent transactions, Port staff is recommending a minimum rental rate of \$5,700.00 per month for each fixed site and \$380.00 per day for temporary sites for up to sixty-days.

Parking

The Port operates a number of parking facilities where the Port leases individual parking stalls on a monthly basis totaling 374 stalls (an increase of 60 stalls over the same period last year) with annual revenues of \$592,354 for the 12 month period from April 1, 2013 to March 31, 2014, as compared to the same period in the prior year of \$489,342, an increase of approximately 21%. The majority of the stall holders are Port tenants. A map is attached as Exhibit F1 that shows the location of those facilities at which the Port currently offers monthly parking.

The Port Commission approved the Fiscal Year 2013-14 Monthly Parking Stall Rate Schedule as part of its approval in July 2013 of the Rental Rate Schedule. Since last year's parking stall rate review, the parking market has experienced improvement. Port staff recently conducted a survey of comparable parking facilities in the vicinity of Port property where the Port rents monthly parking stalls, attached hereto as Exhibit F2. The survey determined that the monthly parking stall rates for Port facilities are generally in-line with current market rates. However there are some parking locations where staff

proposes increasing parking rates to better reflect current market conditions. Please note that the parking rates in this report do not include any City parking tax, currently 25%, which is paid by the stall holder and remitted to the City Tax Collector.

Proposed Changes to FY 2014-15 Monthly Parking Rate Schedule

Site	Parking Type	Current Rate		Proposed Rate		Increase (Tax Included)
		Rent	Rent & Tax	Rent	Rent & Tax	
Agriculture Bldg.	Building Tenant	\$320	\$400	\$328	\$410	\$10
Pier 9	Shed	\$280	\$350	\$288	\$360	\$10
Seawall Lot 302	Commercial Tenant	\$268	\$335	\$268	\$335	\$0
	Restaurant Tenant	\$164	\$205	\$164	\$205	\$0
Seawall Lot 303	Commercial Tenant	\$256	\$320	\$256	\$320	\$0
	Restaurant Tenant	\$164	\$205	\$164	\$205	\$0
Pier 28	Shed	\$280	\$350	\$280	\$350	\$0
Pier 80	Admin Bldg., Uncovered	\$32	\$40	\$32	\$40	\$0
	Truck	\$124	\$155	\$128	\$160	\$5
Pier 90	Truck	\$126.4	\$158	\$130.4	\$163	\$5
Pier 94	Truck	\$124	\$155	\$128	\$160	\$5
Pier 96	Truck	\$124	\$155	\$128	\$160	\$5

The Port makes available parking stalls, at cost, for its employees' vehicles. The parking lot operator at SWL 324 (Broadway lot) is required to provide 40 parking spaces at SWL 324 for Port employees at no cost to the Port. The Port has converted 25 underutilized metered spaces on Davis Street for Port employee parking.

Proposed Port Employees Monthly Parking Rate for FY 2014-15

Facility	For	Current Rate		Proposed Rate		Increase (Tax Included)
		Rent	Rent & Tax	Rent	Rent & Tax	
Seawall Lot 351	Port Commissioner, Executive Director	\$140	\$175	\$140	\$175	\$0
	Employees who have been granted a reasonable accommodation under the Americans with Disabilities Act	\$60.8*	\$76*	\$62.4*	\$78*	\$2
Seawall Lot 324	Employees assigned to Pier 1; parking available for one	\$60.8*	\$76*	\$62.4*	\$78*	\$2

Facility	For	Current Rate		Proposed Rate		Increase (Tax Included)
		Rent	Rent & Tax	Rent	Rent & Tax	
	employee vehicle used for commuting					
Pier 50 or at jobsite	Employees assigned to Pier 50 or whose collective bargaining agreement allows for free parking; one automobile space for vehicle used by the employee for commuting (no boats, trailers, three-axle vehicles, etc.)	\$0	\$0	\$0	\$0	\$0

**As per City policy, the rate is equivalent to the cost of a MUNI monthly pass plus \$10. It will be adjusted correspondingly to future MUNI monthly pass increases. Current cost of MUNI monthly pass is \$66. The MUNI monthly pass will be increased to \$68.00, effective September 1, 2014.*

Parking, Color Curb Program

The Port has a long-standing policy of charging for parking, including curb zones, throughout the waterfront. Due to the emerging neighborhoods in the Southern Waterfront, the Port established guidelines and pricing for colored curbs in the Southern Waterfront. Color Curb Zones in the Northern Waterfront and in front of the Ferry Building were established some time ago and continue to be reviewed by the Port on a case-by-case basis. Tenants and non-tenants whose sidewalks/curbs abut Port property may make a request to have a color zone curb designated, following the color curb guidelines established by the Port Harbor Code.

The Port's methodology for determining the fee for curb zones has been to charge a monthly fee which is equivalent to a rate that the Port would otherwise expect to receive from paid parking had the equivalent curb zone been metered. The proposed curb rates represent amounts which are lower than a fully metered space with the expectation that the Port will collect some additional metered revenues from after hours and special event usage.

Parking, White Zone

As per City practice, White Zones are for passenger loading and unloading with a time limit of 5 minutes. The effective time that the white zone is in effect may vary and the Port may meter such zones for metered parking when white zones are not in use. For example, meter rates may apply on evenings and weekends when offices are closed and special events are scheduled. Posted signs and sidewalk stencils are used to indicate flex times.

Size of zone	Application fee	Set up fee	Monthly Fee	Additional zone
1-22 feet	\$0	\$359	\$265	\$265/mo.

Meter charges during flex time will be priced at standard meter rates for the surrounding area and will be posted accordingly.

Parking, Yellow Zones

Yellow zones are for active 30 minute freight loading and unloading only by commercial vehicles. Yellow zones are NOT intended for long-term parking of vehicles with commercial license plates. The effective times of yellow zones vary and are indicated by signs on the meter and/or by stencils on the curb. All Yellow Zones will be metered and charged at standard meter rates for the surrounding area and will be posted accordingly.

Size of zone	Application fee	Set up fee	Monthly Fee	Additional zone
20-44 ft.	\$0	\$359	\$0	\$0

Special Events and Filming

Special events and filming generated a combined total of \$70,419 in revenues to the Port over the past 12 months (April 2013 to March 2014). Of this amount, special events generated \$68,621 and filming \$1,798. Much of the film permitting is done by the Film Commission and those fees are retained by the Film Commission.

The Port's 7½ miles of waterfront property is a popular venue for special events and filming projects produced each year in the City. Among the most notable special events are *Fleet Week*, *4th of July Celebration and Fireworks*, *Sunday Streets*, *New Year's Eve*, *Giant's Fanfest* and *the Nike Women's Marathon*.

Additionally, a number of major motion pictures and television series have been produced on Port property including the episodic television series produced by HBO, *Looking* and the Netflix show *Series 8*.

The Port is also very popular with advertisers that account for the majority of still photo shoots that occur at the Port. From elegant fashion and auto ads located at Pier 7 to the more urban industrial projects shot in the Southern Waterfront, the Port offers a variety of locations sought after by creative photographers.

In order to standardize film and photography related fees charged for various Port facilities, Port staff has established a Special Event and Filming Fee Schedule. The schedule is reviewed annually to reflect current market conditions and submitted to the Port Commission for re-approval.

There are several recurring Special Events/Uses that have a strong maritime or community connection to the Port of San Francisco and have customarily been given either a fee waiver or fee reduction by the Port Commission on an ad hoc basis. In order to streamline the administrative process and costs associated with preparing individual Port Commission Agenda Items for each event, the Port Commission typically approves the recommended fees for these events as part of its approval of the Rental Rate Schedule:

1. Proposed Fee Waiver: *4th of July Celebration; Fleet Week; City's New Year's Eve Celebration and Madonna Del Lume.*
2. Ongoing Fee Reductions: *Small Boat Fishing Gear Swap Meet, \$300 versus \$2,000; and Delancey Street Christmas Tree Lot, \$3,528 versus \$7,055.*

The methodology for deriving the fees described in the Special Events and Filming Fee Schedule is a combination of market research, continuous dialog with special events promoters and the Port's own experience at negotiating fees.

The James R. Herman Cruise Terminal, upon opening this Fall, will also be a special event venue. However, its rental rates will be set by the Port's operator, Metro in concert with their partner, Hartmann Studios.

Proposed FY 2013-14 Special Event And Filming Rate Schedule

Port staff recommends no changes to the FY 2014-15 Special Event and Filming Rate Schedule, which is listed on Exhibit C. The Port's current Special Event and Filming Rates are higher than all other City Departments and the majority of events are for local chapters of fund raising charities.

Next Steps

Port staff present the proposed Rental Rate Schedule for FY 2014-15 (Exhibit A) for review, comment and consideration by the Port Commission and the public. Port staff will incorporate any additional comments/considerations into the proposed Rental Rate Schedule. Port staff proposes to seek Port Commission approval of the Rental Rate Schedule for FY 2014-15 at the Port Commission's June 10, 2014 meeting.

Recommendation

Port staff recommends that the Port Commission approve the Fiscal Year 2014-15 Monthly Rental Rate Schedule, Monthly Parking Stall Rates (monthly parking stall schedule in staff report), and Special Event and Filming Rates, attached hereto as Exhibits C and E. If approved, the Fiscal Year 2014-15 rates will take effect on July 1, 2014.

Prepared by: Jeffrey A. Bauer, Senior Leasing Manager
For: Susan Reynolds, Director of Real Estate

ATTACHMENTS:

- | | |
|------------|----------------------------------------------------------------|
| Exhibit A | <i>Proposed 2014-2015 Minimum Monthly Rental Rate Schedule</i> |
| Exhibit B | <i>2013-2014 Minimum Monthly Rental Rate Schedule</i> |
| Exhibit C | <i>2014-2015 Special Events and Filming Fee Schedule</i> |
| Exhibit D | <i>Bibliography of Market Research Sources</i> |
| Exhibit E | <i>Office, Bulkhead Office and Pier Shed Vacancy Rate</i> |
| Exhibit F1 | <i>Parking Facilities Located in the Vicinity</i> |
| Exhibit F2 | <i>Parking Facilities Located in the Vicinity</i> |
| Exhibit G | <i>Keyser Marston Memorandum 2014</i> |
| Exhibit H | <i>Port Leasing Policies</i> |
| Exhibit I | <i>Port Active Office and Warehouse Rental Transactions</i> |

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 14-42**

- WHEREAS, By Resolution No. 93-127, adopted September 8, 1993, and as amended by Resolution 93-135, the Port Commission authorized the Executive Director to approve and execute certain transactional documents such as leases and licenses that conform to all of the parameters set forth in those Resolutions as amended (the "delegated authority"); and
- WHEREAS, Port staff has delegated authority to enter into leases, licenses, and Memorandums of Understanding with rents that conform to the applicable Monthly Rental Rate Schedule, Parking Stall Rate Schedule, and Special Event and Filming Rate Schedule as adopted and amended periodically by the Port Commission (last amended Resolution No. 13-24 for the fiscal year 2013-14); and
- WHEREAS, Port staff has reviewed current office/industrial-warehouse, parking, and special event and filming market data and has prepared and recommends adoption of an updated Fiscal Year 2014-15 Monthly Rental Rate Schedule, Monthly Parking Stall Rate Schedule, and Special Event and Filming Rate Schedule which will set rental rates for office, shed, and land space, color curbs, telecommunication sites, monthly parking stalls, and special event and filming rates as described in the Memorandum dated June 5, 2014; and
- WHEREAS, The Port does not generally competitively bid leases or licenses for special events, office, warehouse space, unimproved land or other types of space or leases covered by the delegated authorities and rental rate schedules because: the Port has a very high volume of leases for relatively small leased areas at nominal rental rates; the benefit of competitively bidding such opportunities are outweighed by the necessary resources to do so; and the Port is generally able to accommodate most entities that wish to enter into these types of routine leases; and
- WHEREAS, Port staff recommends approval of proposed fee waivers for the following special events, 4th of July Celebration, Fleet Week, City's New Year's Eve Celebration, Madonna Del Lume; and
- WHEREAS, Port staff further recommends approval of fee reductions for the Small Boat Fishing Gear Swap Meet, and Delancey Street Christmas Tree Lot as described in the staff report; now, therefore be it

- RESOLVED, That the Port Commission hereby approves and adopts the Fiscal Year 2014-15 Monthly Rental Rate Schedule, Parking Rate Schedule, Special Event and Filming Rate Schedule to be implemented by Port staff in connection with the delegated authorities as described in the Memorandum dated June 5, 2014, and approves the proposed fee waivers and fee reductions for certain special events as described in this Resolution; and be it further
- RESOLVED, That Port Commission finds that competitively bidding the real property agreements covered by the delegated authorities and the rental rate schedules approved by this Resolution is impractical; and be it further
- RESOLVED, That Port staff shall continue to provide the Port Commission, within thirty days following each calendar month, a summary of leases, licenses, and Memorandum of Understanding entered into and subleases or assignments consented to during that month.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of June 10, 2014.

Secretary

2014-15 MINIMUM MONTHLY RENTAL RATE SCHEDULE*

<u>TYPE OF USE & TYPE OF LEASE</u>	<u>CLASS & LOCATION OF FACILITY/SPACE</u>	<u>MINIMUM INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.</u>	<u>MINIMUM NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft.*</u>
<u>OFFICE SPACE USES:</u>			
<u>FULL SERVICE GROSS LEASES:</u>	<u>CLASS B</u>		
	Roundhouse Plaza	\$3.25 - \$3.75	\$3.00 - \$3.50
	<u>CLASS C</u>		
	Agriculture Building		
	Window Office	\$2.40 - \$2.60	\$2.20 - \$2.40
	Interior Office	\$1.50 - \$2.00	\$0.98 - \$1.48
	401 Terry Francois	\$2.60 - \$2.75	\$2.40 - \$2.50
<u>NET LEASES:</u>			
	<u>CLASS B</u>		
	Pier 9 Bulkhead Bldg.	\$3.20 - \$3.50	\$2.75 - \$3.30
	Pier 9 Pier Offices	\$3.00 - \$3.25	\$2.50 - \$2.75
	Pier 26 Annex Bldg.	\$2.75 - \$3.25	\$2.50 - \$3.00
	Pier 33 ½ North	\$3.00 - \$3.25	\$2.25 - \$2.75
	Pier 33 Bulkhead Bldg.	\$2.50 - \$2.75	\$2.25 - \$2.50
	Pier 35 Bulkhead Bldg.	\$2.50 - \$2.75	\$1.75 - \$2.25
	<u>CLASS C</u>		
	Pier 9 Studio/office	\$2.50 - \$2.75	\$2.25 - \$2.50
	Piers 23 Bulkhead Bldgs.	\$2.00 - \$2.25	\$2.00 - \$2.25
	Pier 29 Annex Bldg.	\$3.00 - \$3.50	\$2.75 - \$3.25
	Pier 35 Interior office	\$2.00 - \$2.25	\$1.50 - \$1.75
	490 Jefferson St.	\$2.00 - \$2.25	\$1.10 - \$1.75
	Piers 26 Bulkhead Bldg.	\$2.00 - \$2.25	\$1.75 - \$1.50
	Pier 28 Bulkhead Bldg.	\$2.00 - \$2.25	\$1.75 - \$2.00
	Piers 50 Bulkhead Bldg.	\$2.25 - \$2.50	\$2.00 - \$2.25
	Pier 54 Office	\$1.60 - \$1.75	\$1.40 - \$1.50
	Pier 70, Building 11	\$1.10 - \$1.25	\$1.00 - \$1.20
	671 Illinois Street	\$1.00 - \$1.10	\$0.80 - \$1.00
	501 Cesar Chavez	\$1.25 - \$1.50	\$1.10 - \$1.25
	601 Cesar Chavez	\$1.50 - \$1.50	\$1.50 - \$1.50
	696 Amador	\$1.25 - \$1.50	\$1.00 - \$1.40
	Pier 96 Admin. Bldg.	\$1.25 - \$1.40	\$1.00 - \$1.25
	Pier 96 Gate House Bldg.	\$1.10 - \$1.25	\$0.75 - \$1.00
<u>OFFICE STORAGE</u>	All Facilities	\$1.50 - \$1.50	\$1.50 - \$1.50

Exhibit A

<u>TYPE OF USE & TYPE OF LEASE</u>	<u>MINIMUM CLASS & LOCATION OF FACILITY/SPACE</u>	<u>MINIMUM INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.</u>	<u>NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft.*</u>
<u>INDUSTRIAL SHED USES:</u>			
<u>INDUSTRIAL GROSS LEASES:</u>	<u>NORTHEAST WATERFRONT</u>		
	Pier 9	\$1.35 - \$1.50	\$1.25 - \$1.25
	Pier 33, 35, 45	\$1.00 - \$1.25	\$0.85 - \$0.95
	Pier 19	\$1.25 - \$1.25	\$1.25 - \$1.25
	Pier 23	\$1.25 - \$1.25	\$1.25 - \$1.25
	Pier 29	\$1.25 - \$1.50	\$1.25 - \$1.25
	Pier 47 shed storage	\$0.75 - \$1.00	\$0.70 - \$0.90
	SWL 302 storage	\$1.00 - \$1.25	\$0.75 - \$1.00
	<u>SOUTH BEACH/CHINA BASIN</u>		
	Pier 24 Annex	\$3.00 - \$3.25	\$3.00 - \$3.25
	Piers 26-28-	\$1.00 - \$1.25	\$0.95 - \$1.00
	Pier 40	\$1.00 - \$1.25	\$1.00 - \$1.25
	Piers 48	\$1.25 - \$1.25	\$1.25 - \$1.25
	Pier 50	\$1.25 - \$1.25	\$1.25 - \$1.25
	Pier 54 Shed	\$0.70 - \$0.70	\$0.70 - \$0.70
	<u>SOUTHERN WATERFRONT</u>		
	SWLs 343 & 354	\$0.90 - \$1.00	\$0.80 - \$0.85
	SWL 345	\$0.90 - \$1.00	\$0.85 - \$1.00
	699 Illinois	\$0.85 - \$1.25	
	Facility 6019	\$0.55 - \$0.55	\$0.55 - \$0.55
	Pier 80	\$0.95 - \$0.95	\$0.95 - \$0.95
	Pier 92 & SWLs 344 & 349	\$0.90 - \$0.90	\$0.85 - \$0.85
	Pier 96 M & R	\$0.90 - 0.95	\$0.80 - \$0.75
<u>OPEN LAND AND PIER SPACE USES:</u>	<u>UNPAVED LAND</u>		
<u>"PORT STANDARD NET LEASE"</u>		\$0.28 - 0.30	\$0.25 - \$0.30
	<u>PAVED LAND</u>		
		\$0.30 - 0.35	\$0.30 - \$0.35
	<u>IMPROVED LAND</u>		
		\$0.40 - 0.40	\$0.35 - \$0.40
	<u>SUBMERGED LAND</u>		
		\$0.16, -\$0.16	\$0.16 - \$0.16
	Aprons	\$0.35 - \$0.35	\$0.35 - \$0.35

Exhibit A

MINIMUM <u>TYPE OF USE & TYPE OF LEASE</u>	MINIMUM <u>CLASS & LOCATION OF FACILITY/SPACE</u>	INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.	NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft.*
<u>FISHING INDUSTRY USES:</u>			
<u>INDUSTRIAL GROSS LEASES:</u>			
	<u>FISH WHOLESALING & PROCESSING SPACE</u>		
	<u>Improved Fish Processing Space</u>		
	Pier 45 Sheds	\$0.95 - \$1.00	\$0.95 - \$1.00
	Second floor warehouse	\$0.45 - \$0.50	\$0.45 - \$0.50
	Pier 45 Office 1st fl office	\$1.10 - \$1.50	\$1.10 - \$1.50
	Pier 45 2 nd fl mezz	\$0.85 - \$1.25	\$0.85 - \$1.25
	<u>Sheds</u>		
	Pier 33	\$0.90 - \$0.95	\$0.90 - \$0.95
	<u>Aprons</u>	\$0.25 - \$0.25	\$0.25 - \$0.25
<u>LICENSES:</u>	<u>FISHING GEAR STORAGE</u>	\$0.30 - \$0.40	\$0.30 - \$0.40
	<u>NON-BERTH HOLDERS</u>	\$0.60- \$0.65	\$0.60- \$0.65

* The range in rental rates is provided as an example of the minimum rental rates for different space in the building (ie. higher rates for higher floors). It is not, and should not be construed as, a cap or maximum rental rate for such space.

* Minimum Net Effective Rents are rents that reflect the application of rent credits for new paint and carpet. The Minimum Net Effective Rates reflect the amortization of rent credits provided by Port over the term of the lease.

EXHIBIT B

2013-14 MINIMUM MONTHLY RENTAL RATE SCHEDULE*

<u>TYPE OF USE & TYPE OF LEASE</u>	<u>CLASS & LOCATION OF FACILITY/SPACE</u>	<u>MINIMUM INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.</u>	<u>MINIMUM NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft.*</u>
<u>OFFICE SPACE USES:</u>			
<u>FULL SERVICE GROSS LEASES:</u>	<u>CLASS B</u>		
	Roundhouse Plaza	\$2.50 - \$3.00	\$2.00 - \$2.50
	<u>CLASS C</u>		
	Agriculture Building		
	Window Office	\$2.30 - \$2.55	\$2.20 - \$2.35
	Interior Office	\$1.50 - \$2.00	\$0.98 - \$1.48
	401 Terry Francois	\$2.50 - \$2.70	\$2.20 - \$2.50
<u>NET LEASES:</u>			
	<u>CLASS B</u>		
	Pier 9 Bulkhead Bldg.	\$3.00 - \$3.20	\$2.75 - \$3.30
	Pier 9 Pier Offices	\$2.75 - \$3.00	\$2.50 - \$2.75
	Pier 26 Annex Bldg.	\$2.75 - \$3.00	\$2.50 - \$2.75
	Pier 33 ½ North	\$2.50 - \$3.00	\$2.25 - \$2.75
	Pier 35 Bulkhead Bldg.	\$2.50 - \$2.75	\$1.75 - \$2.25
	<u>CLASS C</u>		
	Pier 9 Studio/office	\$2.25 - \$2.50	\$2.25 - \$2.50
	Piers 23 Bulkhead Bldgs.	\$2.00 - \$2.25	\$2.00 - \$2.25
	Pier 29 Annex Bldg.	\$2.50 - \$3.00	\$2.25 - \$2.75
	Pier 35 Interior office	\$1.75 - \$2.00	\$1.50 - \$1.75
	490 Jefferson St.	\$1.75 - \$2.00	\$1.10 - \$1.75
	Piers 26 Bulkhead Bldg.	\$2.00 - \$2.25	\$1.75 - \$1.50
	Pier 28 Bulkhead Bldg.	\$2.00 - \$2.25	\$1.25 - \$1.75
	Piers 50 Bulkhead Bldg.	\$2.00 - \$2.25	\$1.55 - \$1.75
	Pier 54 Office	\$1.60 - \$1.75	\$1.20 - \$1.40
	Pier 70, Building 11	\$1.10 - \$1.25	\$1.00 - \$1.20
	671 Illinois Street	\$1.00 - \$1.10	\$0.80 - \$1.00
	501 Cesar Chavez	\$1.25 - \$1.50	\$1.10 - \$1.25
	601 Cesar Chavez	\$1.50 - \$1.50	\$1.50 - \$1.50
	696 Amador	\$1.25 - \$1.50	\$1.00 - \$1.40
	Pier 96 Admin. Bldg.	\$1.25 - \$1.40	\$1.00 - \$1.25
	Pier 96 Gate House Bldg.	\$1.10 - \$1.25	\$0.75 - \$1.00
<u>OFFICE STORAGE</u>	All Facilities	\$1.50 - \$1.50	\$1.50 - \$1.50

EXHIBIT B

<u>TYPE OF USE & TYPE OF LEASE</u>	<u>MINIMUM</u>	<u>MINIMUM</u>	<u>INITIAL LEASE</u>	<u>NET EFFECTIVE</u>
	<u>CLASS & LOCATION</u>		<u>RENTAL RATES</u>	<u>RENTAL RATES</u>
	<u>OF FACILITY/SPACE</u>		<u>Monthly Per Sq. Ft.</u>	<u>Monthly Per Sq. Ft.*</u>
<u>INDUSTRIAL SHED USES:</u>				
<u>INDUSTRIAL GROSS LEASES:</u>	<u>NORTHEAST WATERFRONT</u>			
	Pier 9	\$1.35	- \$1.50	\$1.25 - \$1.25
	Pier 33 – 35	\$0.95	\$1.00 -	\$0.85 - \$0.95
	Pier 19	\$1.25	- \$1.25	\$1.25 \$ 1.25
	Pier 23	\$1.25	- \$1.25	\$1.25 - \$1.25
	Pier 29	\$1.25	\$1.50	\$1.25 \$1.25
	Pier 47 shed storage	\$0.75	- 1.00	\$0.70 - \$0.90
	SWL 302 storage	\$0.75	- 1.00	\$0.65 - \$0.75
	<u>SOUTH BEACH/CHINA BASIN</u>			
	Pier 24 Annex	\$2.50	\$3.00	\$2.50 \$3.00
	Piers 26-28-	\$0.95	\$1.00	\$0.95 - \$1.00
	Pier 40	\$1.00	\$1.25	\$1.00 \$1.25
	Piers 48	\$1.25	- \$1.25	\$1.25 - \$1.25
	Pier 50	\$1.25	- \$1.25	\$1.25 - \$1.25
	Pier 54 Shed	\$1.25	- \$1.25	\$1.25 - \$1.25
	<u>SOUTHERN WATERFRONT</u>			
	SWLs 343 & 354	\$0.85	- \$0.85	\$0.80 \$0.85
	SWL 345	\$0.85	- \$1.00	\$0.85 - \$1.00
	Facility 6019	\$0.55	- \$ 0.55	\$0.55 - \$0.55
	Pier 80	\$0.95	- \$0.95	\$0.95 \$0.95
	Pier 92 & SWLs 344 & 349	\$0.85	- \$0.85	\$0.85 \$0.85
	Pier 96 M & R	\$0.90	- 0.95	\$0.80 \$0.75
<u>OPEN LAND AND PIER SPACE USES:</u>				
<u>INDUSTRIAL GROSS LEASES:</u>	<u>UNPAVED LAND</u>			
“PORT STANDARD NET LEASE”		\$0.30	- 0.30	\$0.25 - \$0.30
	<u>PAVED LAND</u>			
		\$0.35	- 0.35	\$0.30 - \$0.35
	<u>IMPROVED LAND</u>			
		\$0.40	- 0.40	\$0.35 - \$0.40
	<u>SUBMERGED LAND</u>			
		\$0.16,	- \$ 0.16	\$0.16 - \$0.16
	Aprons	\$0.35	\$ 0.35	\$0.30 - \$0.35

EXHIBIT B

MINIMUM TYPE OF USE & TYPE OF LEASE	MINIMUM CLASS & LOCATION OF FACILITY/SPACE	INITIAL LEASE RENTAL RATES Monthly Per Sq. Ft.	NET EFFECTIVE RENTAL RATES Monthly Per Sq. Ft.*
<u>FISHING INDUSTRY USES:</u>			
<u>INDUSTRIAL GROSS LEASES:</u>			
	<u>FISH WHOLESALING & PROCESSING SPACE</u>		
	<u>Improved Fish Processing Space</u>		
	Pier 45 Sheds	\$0.85 - \$0.95	\$0.80 - \$0.85
	Second floor warehouse	\$0.40 - \$0.45	\$0.35 - \$0.40
	Pier 45 Office 1st fl office	\$1.10 - \$1.50	\$1.05 - \$1.25
	Pier 45 2 nd fl mezz	\$0.85 - \$1.25	\$0.75 - \$1.00
	<u>Sheds</u>		
	Pier 33	\$0.85 - \$0.90	\$0.80 - \$0.85
	699 Illinois	\$0.80 - \$1.25	\$0.75 - \$0.85
	<u>Aprons</u>		
		\$0.24 - \$0.24	\$0.24 - \$0.24
<u>LICENSES:</u>			
	<u>FISHING GEAR STORAGE</u>	\$0.30 - \$0.40	\$0.30 - \$0.40
	<u>NON-BERTH HOLDERS</u>	\$0.50- \$0.55	\$0.50- \$0.55

* The range in rental rates is provided as an example of the minimum rental rates for different space in the building (ie. higher rates for higher floors). It is not, and should not be construed as, a cap or maximum rental rate for such space.

* Minimum Net Effective Rents are rents that reflect the application of rent credits for new paint and carpet. The Minimum Net Effective Rates reflect the amortization of rent credits provided by Port over the term of the lease.

EXHIBIT C

2014-15 FY Special Events and Filming Fee Schedule

	Rate
<u>Still Photo Shoot</u>	
Outdoor:	
Simple per day	\$1,000.00
Major per day	\$2,000.00
Indoor:	
Piers simple per day	\$1,000.00
Piers major per day	\$2,000.00
Pier 1 per day (Port offices - after hrs.)	\$2,000.00
Pier 1 – Bayside 1-4	\$2,000.00
<u>Filming (Non-Film Commission)</u>	
Simple per day	\$1,000.00
Major per day	\$2,000.00
<u>Special Events</u>	
Athletic events (walk/run/bicycle) per day	\$1,000.00
Private event per day	\$2,000.00
Public event per day	\$2,000.00
<u>Pier 30/32 – Entire Pier</u>	
Private event:	
Event day	\$15,000.00
Set-up per day	\$3,500.00
Paid attendees:	
Event day	\$20,00.00
Set-up per day	\$4,000.00
Free admittance:	
Event day	\$10,000.00
Set-up per day	\$2,500.00
<u>Pier 48 – Shed A & C</u>	
Shed A Full Venue per day	\$10,000.00
Set-up and take down	\$2,500.00

Shed A Half Venue	\$5,000.00
Set-up and take -down	\$ 1,000.00
Shed A Quarter Shed	\$3,000.00
Set-up and take-down	\$1,000.00
Shed A and Valle Full Venue	\$9,000.00
Set-up and take-down per day	\$1,500.00
Shed A and Valley Haft Venue	\$6,000.00
Set-up and take-down	\$1,000.00
Shed A and Valley Quarter	\$4,000.00
Set-up and take-down	\$1,000.00

All rates are daily.

Notes:

Minor film and photo shoots are those that require very few to no support functions, i.e.; the photographer and the subject, minimal equipment, etc.

Major film and photo shoots are those that require substantial support, i.e.; film crew, props, vehicles, generators, lighting, etc.

At no time shall the fee charged for filming or a special event at a specific facility be less than the rental rate as specified under the Rental Rate Schedule for that premises.

EXHIBIT D: BIBLIOGRAPHY

In researching market conditions and rates, Port staff employed the following sources of information:

Unemployment Rate: *Federal Reserve Bank, May 2014*

Office Market Summary:

1. Cushman & Wakefield First Quarter Office Report 2014
2. 2014 Q1 San Francisco Office Report Colliers International
3. 2014 Q1 Cornish & Carey Commercial San Francisco Office
4. 2014 Q1 Tri Commercial Real Estate San Francisco Office
5. 2014 Q1 Kidder Mathews San Francisco Office
6. Port of San Francisco Lease Activity April 1, 2013 to March 31, 2014

Industrial Market Summary:

1. Cassidy Turley 1Q 2014 Warehouse Market Bay Area

Fishing Industry Pier Shed and Land:

1. Port of San Francisco
2. Santa Cruz Harbor
3. Pillar Point Harbor
4. Spud Point Harbor
5. Morro Bay Harbor
6. Crescent City Harbor 2014

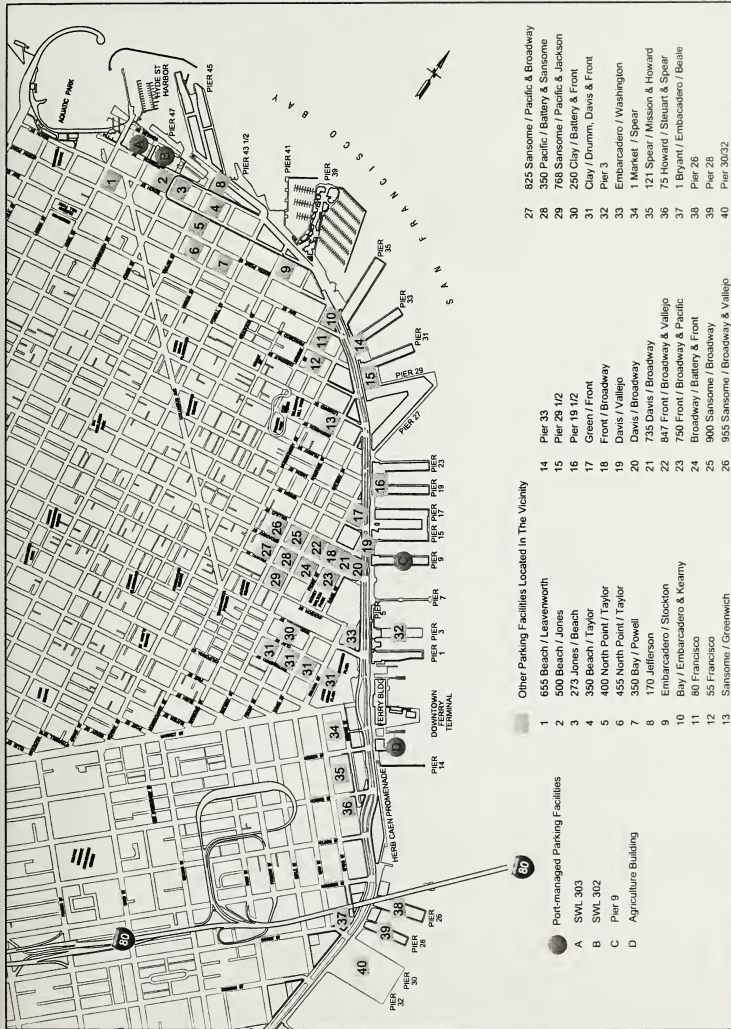
Parking:

1. Parking Facilities Located in the Vicinity & Parking Facilities Located in the Vicinity

Office, Bulkhead Office and Pier Shed Vacancy Rate

Exhibit E

OFFICE	As of April 28, 2014			As of Mar 2013			As of Dec. 2013				
	Total	Occupied	% Vacant	Total	Occupied	% Vacant	Total	Occupied	% Vacant		
Roundhouse I	20,237	20,237	0	20,237	20,237	0	0.0%	20,237	20,237	0	0.0%
Roundhouse II	25,421	25,421	0	25,421	25,421	0	0.0%	25,421	25,421	0	0.0%
Pier 27/29	12,406	12,406	0	12,406	12,406	0	0.0%	12,406	12,406	0	0.0%
Ag Building	22,476	22,476	0	22,476	22,476	0	0.0%	22,476	22,476	0	0.0%
401 Terry Francois	10,764	10,764	0	10,764	10,764	0	0.0%	10,764	10,764	0	0.0%
501 Cesar Chavez	40,090	33,090	17.5%	40,090	23,090	17,000	42.4%	40,090	23,090	17,000	42.4%
Pier 10, Bldg 11	25,154	25,154	0	25,154	25,154	0	0.0%	25,154	25,154	0	0.0%
Pier 96	18,542	15,542	3,000	18,542	15,542	3,000	16.2%	18,542	15,542	3,000	16.2%
Total Office	175,090	165,090	10,000	175,090	155,090	20,000	11.4%	175,090	155,090	20,000	11.4%
BULKHEAD OFFICE											
Pier 9	72,000	72,000	0	72,000	72,000	0	0.0%	72,000	72,000	0	0.0%
Pier 15 ⁴	4,084	4,084	0	4,084	4,084	0	0.0%	4,084	4,084	0	0.0%
Pier 17 ⁴	2,774	2,774	0	2,774	2,774	0	0.0%	2,774	2,774	0	0.0%
Pier 23 ^{1,3}	12,300	12,300	0	12,300	12,300	0	0.0%	12,300	12,300	0	0.0%
Pier 26 ¹	18,433	18,433	0	18,433	18,433	0	0.0%	18,433	18,433	0	0.0%
Pier 28 ³	6,187	6,187	0	6,187	6,187	0	0.0%	6,187	6,187	0	0.0%
Pier 33	3,500	2,800	700	3,500	700	2,800	80.0%	3,500	700	2,800	80.0%
Pier 35	9,994	9,994	0	9,994	9,994	0	0.0%	9,994	9,994	0	0.0%
Pier 50	7,743	7,743	0	7,743	7,743	0	0.0%	7,743	7,743	0	0.0%
Pier 54 ²	3,000	3,000	0	3,000	3,000	0	0.0%	3,000	3,000	0	0.0%
Total Bulkhead Office	140,015	137,215	2,800	140,015	137,215	2,800	2.0%	140,015	137,215	2,800	2.0%
OVERALL OFFICE	315,105	302,305	12,800	315,105	292,305	22,800	7.2%	315,105	292,305	22,800	7.2%
PIER SHED											
Pier 9	29,754	29,754	0	29,754	29,754	0	0.0%	29,754	29,754	0	0.0%
Pier 15 ⁴	0	0	0	0	0	0	0.0%	0	0	0	0.0%
Pier 17 ⁴	0	0	0	0	0	0	0.0%	0	0	0	0.0%
Pier 19 & 19 1/2 ^{1,3}	94,544	94,544	0	94,544	94,544	0	0.0%	94,544	94,544	0	0.0%
Pier 23 ^{1,3}	54,000	54,000	0	54,000	54,000	0	0.0%	54,000	54,000	0	0.0%
Pier 26 ¹	94,472	94,472	0	94,472	94,472	0	0.0%	94,472	94,472	0	0.0%
Pier 28 ¹	44,644	44,644	0	44,644	44,644	0	0.0%	44,644	44,644	0	0.0%
Pier 33	242,299	242,299	0	242,299	242,299	0	0.0%	242,299	242,299	0	0.0%
Pier 35 ¹	0	0	0	0	0	0	0.0%	0	0	0	0.0%
Pier 38 ¹	0	0	0	0	0	0	0.0%	0	0	0	0.0%
Pier 40	82,904	82,904	0	82,904	82,904	0	0.0%	82,904	82,904	0	0.0%
Pier 48	200,000	200,000	0	200,000	200,000	0	0.0%	200,000	200,000	0	0.0%
Pier 50	135,350	130,350	5,000	135,350	130,350	5,000	3.7%	135,350	130,350	5,000	3.7%
Pier 54 ²	20,000	20,000	0	20,000	20,000	0	0.0%	20,000	20,000	0	0.0%
Pier 96	400,600	400,600	0	400,600	400,600	0	0.0%	400,600	400,600	0	0.0%
Pier 96 M&R Building	30,000	30,000	0	30,000	30,000	0	0.0%	30,000	30,000	0	0.0%
Pier 80 M&R Building	30,000	30,000	0	30,000	30,000	0	0.0%	30,000	30,000	0	0.0%
Total Shed	1,519,759	1,514,759	5,000	1,519,759	1,514,759	5,000	0.3%	1,519,759	1,514,759	5,000	0.3%
OFFICE & SHED	1,834,864	1,817,064	17,800	1,834,864	27,800	1.5%	1,834,864	1,807,064	27,800	1.5%	



Port-managed Parking Facilities

- A SWL 303
- B SWL 302
- C Pier 9
- D Agriculture Building

Other Parking Facilities Located in the Vicinity

- 1 655 Beach / Leavenworth
- 2 500 Beach / Jones
- 3 273 Jones / Beach
- 4 350 Beach / Taylor
- 5 400 North Point / Taylor
- 6 455 North Point / Taylor
- 7 350 Bay / Powell
- 8 170 Jefferson
- 9 Embarcadero / Stockton
- 10 Bay / Embarcadero & Kearny
- 11 80 Francisco
- 12 55 Francisco
- 13 Sansome / Greenwich
- 14 Pier 33
- 15 Pier 29 / 12
- 16 Pier 19 / 12
- 17 Green / Front
- 18 Front / Broadway
- 19 Davis / Vallejo
- 20 Davis / Broadway
- 21 735 Davis / Broadway
- 22 847 Front / Broadway & Vallejo
- 23 750 Front / Broadway & Pacific
- 24 Broadway / Battery & Front
- 25 900 Sansome / Broadway
- 26 955 Sansome / Broadway & Vallejo

- 27 825 Sansome / Pacific & Broadway
- 28 350 Pacific / Battery & Sansome
- 29 768 Sansome / Pacific & Jackson
- 30 250 Clay / Battery & Front
- 31 Clay / Drumm, Davis & Front
- 32 Pier 3
- 33 Embarcadero / Washington
- 34 1 Market / Spear
- 35 121 Spear / Mission & Howard
- 36 75 Howard / Steuart & Spear
- 37 Bryant / Embarcadero / Beale
- 38 Pier 26
- 39 Pier 28
- 40 Pier 30/32

APPROVED BY
SAN FRANCISCO PORT COMMISSION
DATE



SAN FRANCISCO PORT COMMISSION
DEPARTMENT OF ENGINEERING

EXHIBIT F-1

DRAWN BY: EDC
CHECKED BY: LUT-LAM
DATE: MAY 8, 2014
SCALE: NONE

SHEET NO.
OF SHEETS

PARKING RATES SURVEY
As of May 1, 2014

	Location	Operator	Phone #	Monthly Parking				Hourly Parking	Covered / Uncovered		
				Reserved	Non-reserved	Vac- ancy	In/Out Privilege			Days / Week	Hour
1	Beach & Hyde Garage 655 Beach / Leavenworth & Hyde	Propark America	673-7735	-	\$225 \$175	No No	Yes M-F	24 hrs	365\$6 all day, \$40 over night	\$8 1st hr, then \$7 /hr	Covered
2	Anchorage Shopping Center Garage 500 Beach / Jones & Leavenworth	Ace Parking	515-1589	-	\$275	Yes	Yes 7 days	24 hrs	\$36 all day \$10 M-F, in before 9am, out by 6pm	\$2 / 20 mins	Covered
3	Fisherman's Wharf Parking 273 Jones / Beach	Wharf Properties, Inc	885-4884	-	-	-	-	-	\$9.50 before 10am M-F \$28 after 10am max all day	\$3.75 / 20 mins	Uncovered
4	Wharf Garage 350 Beach / Taylor & Mason	Imperial Parking	227-0114	-	\$160 \$140	Yes Yes	Yes 7 days	24 hrs 7am-7pm	\$18 max after 3 hrs exp 11:59pm \$8 in before 9am M-F, \$15 S-S	-	Covered
5	Loughorens Hall Parking Lot 400 North Point / Taylor	City Park	495-3909	-	\$250	Yes	Yes 7 days	6am-12am	\$25	-	Uncovered
6	Cost Plus Plaza Garage 455 North Point / Taylor	ABM Parking	351-4450	-	\$175	Yes	Yes 7 days	7am-9pm	\$15 for 12 hrs (10/16 - 5/15) \$20 for 12 hrs (5/16 - 10/15)	\$4 /hr (10/16 - 5/15) \$5 /hr (5/16 - 10/15)	Covered
7	North Point Center Garage 350 Bay / Powell & Mason	Imperial Parking	227-0114	-	\$170 \$145	Yes Yes	Yes M-F	24 hrs	\$30 M-F \$35 S-S	-	Covered & Uncovered
8	Triangle Parking Lot 170 Jefferson	Central Parking	877-717-0004	-	-	-	-	-	\$35 8am-12am, add \$15 overnight	\$3 / 20 mins	Uncovered
9	Pier 39 Garage Embarcadero / Stockton	Ampco System	705-5418	-	\$215 Plus 39 tenants only	No	Yes 7 days	24 hrs	\$40	\$8 /hr	Covered
10	Bay / Embarcadero & Kearny	Central Parking	877-717-0004	-	\$225	No	Yes 7 days	24 hrs	M-F: \$35 all day, \$15 in by 8am, \$15 after 5pm S-S: \$40 all day	\$5 / 20 mins M-F	Uncovered
11	80 Francisco	Imperial Parking	227-0114	\$275 tenant only	-	Yes	Yes 7 days	24 hrs	\$14 daily max \$16 S-S	\$2 / 15 mins	Covered
12	55 Francisco	Ace Parking	398-0208	\$340	\$285	Yes	Yes 7 days	24 hrs	\$22 in after 9am & out by 7pm \$18 in before 9am & out by 7pm	\$3 / 20 mins	Covered
13	Lewy Plaza Garage Sansome / Greenwich	Ampco System	981-8213	\$400 \$350	- \$325	Yes Yes	Yes M-F	24 hrs 6am-10pm	\$25 for 12 hrs, \$60 after 12 hrs, \$18 in by 9am & out by 6pm	\$3 / 20 mins	Covered
14	Pier 33	Priority Parking	777-0402	\$550	\$175 tenant \$300 non-tenant	Yes	Yes 7 days	24 hrs	-	-	Covered
15	Pier 29-12	Priority Parking	777-0402	-	-	-	-	-	\$25 flat rate, \$45 full size	-	Covered
16	Pier 19-12	Priority Parking	777-0402	-	-	-	-	-	\$25 flat rate, \$45 full size	-	Covered
17	SWL 321 Green / Front / Embarcadero	Priority Parking	777-0402	\$550	\$400	Yes	Yes 7 days	24 hrs	\$17 in by 9am, \$35 Max \$45 24hrs, \$12 after 3pm & wind	\$5 /hr	Uncovered
18	SWL 322-1 Front / Broadway & Vallejo	Priority Parking	777-0402	\$550	\$400	Yes	Yes 7 days	24 hrs	\$15 in by 8:30am, \$20 before 4pm, \$30 Max \$10 after 4pm, \$10 wind & nights, \$40 full size	-	Uncovered
19	SWL 323 Daves / Vallejo / Embarcadero	Priority Parking	777-0402	\$550	\$400	Yes	Yes 7 days	24 hrs	\$20 before 11am, \$25 after 11am, \$30 Max \$15 after 5pm, \$20 wind, \$45 24hrs full size	-	Uncovered
20	SWL 324 Daves / Broadway / Embarcadero	Priority Parking	777-0402	\$550	\$400	Yes	Yes 7 days	24 hrs	\$20 before 11am, \$25 after 11am, \$30 Max \$15 after 5pm, \$20 wind, \$45 24hrs full size	-	Uncovered

PARKING RATES SURVEY
As of May 1, 2014

Location	Operator	Phone #	Monthly Parking			In/Out Privilege	Days / Week	Hour		Daily Parking	Hourly Parking	Covered / Uncovered
			Reserved	Non-reserved	Vac-ancy							
21 735 Davis / Broadway & Vallejo	West Coast Parking	756-5977	-	\$300	Yes	Yes	7 days	7am-6pm		\$18 M-F, \$15 after 2pm \$15 S-S	-	Uncovered
22 847 Front / Broadway & Vallejo	Pacific Park Mgmt	398-0428	-	\$325	Yes	Yes	M-F	6am-8pm		\$16	-	Covered
23 750 Front / Broadway & Pacific	Pro Park	374-2047	-	\$115 \$350 tenant \$360 non-tenant	Yes Yes Yes	Yes Yes Yes	M-F 7 days 7 days	24 hrs		\$18 in before 9am, \$22 in after 9am \$20 after 9am & out by 7pm \$16 in before 9am & out by 7pm	\$8 /at hr, \$3/20 mins after	Covered
24 750 Battery Parking Garage Broadway / Battery & Front	Ampco System	956-8148	-	\$340	Yes	Yes	M-F	7am-7pm		\$25	\$2.50 /20 mins	Covered
25 900 Sansome / Broadway	Liberty Parking	650-342-3010	-	\$300	Yes	Yes	M-F	6am-9pm			-	Covered
26 955 Sansome / Broadway & Vallejo	Liberty Parking	650-342-3010	-	\$300	Yes	Yes	7 days	24 hrs		\$15 in before 10am, \$18 in after 10am \$15 roof	-	Covered / Uncovered
27 825 Sansome / Pacific & Broadway	Priority Parking	777-4042	\$600	\$400	Yes	Yes	M-F	6am-8pm		\$16 in by 10am, \$28 Max	\$5.50 /at 20 mins, \$3.50 /20 mins after	Covered
28 350 Pacific / Battery & Sansome	American West	596-8743	-	\$320	Yes	Yes	7 days	24 hrs		\$15-\$10 in before 11am, \$20 in after 11am \$10 after 4pm	-	Uncovered
29 768 Sansome / Pacific & Jackson	California Parking	468-4680	-	\$419.00 \$359.00	Yes Yes	Yes No	7 days	24 hrs		\$25 for 12 hrs \$38 after 8:30am \$20 in before 8:30am	\$2.50 /20 mins	Uncovered
30 Golden Gateway Garage 250 Clay / Battery & Front	Five Star Parking	433-4722	\$510	\$400	Yes	Yes	7 days	24 hrs			\$7 /hr	Covered
31 Embarcadero Center Garage Building 1, 2, 3 & 4	Ampco System	772-0670	\$650	\$425	Yes	Yes	7 days	24 hrs		\$33, out by 12am	\$6 /30 mins	Covered
32 Hornblower Landing Parking Lot Pier 3	Hornblower Landing	788-8666	-	\$325	Yes	Yes	M-F	6am-12am		\$20 8am-12am \$17 in before 8am, out by 6pm	\$5 /hr	Uncovered
33 Ferry Bldg Investors Parking Lot Embarcadero / Washington St	Ace Parking		-	-	-	-	-	-		\$50 daily max \$15 after 6pm	\$6.50 /hr	Uncovered
34 1 Market Garage Market / Spear	Ace Parking	777-2292	\$600	\$495	No	Yes	7 days	24 hrs		\$44 6am-8pm	\$12 /hr	Covered
35 Rincon Center Garage 121 Spear / Mission & Howard	Standard Parking	882-9468	-	\$375	Yes	Yes	M-F	6am-10:30pm		\$30	\$6 /30 mins	Covered
36 75 Howard / Stuart & Spear	Ace Parking	543-2214	\$465	\$375	No	Yes	7 days	24 hrs		\$29.50 daily max \$21 in before 9am, out by 6pm	\$6 /30 mins	Covered
37 BaySide Lot 1 Bryant St / Embarcadero & Beale	Imperial Parking	227-0114	-	\$220	No	Yes	7 days	24 hrs		\$16 in before 8:45am	-	Uncovered
38 Pier 26	Imperial Parking	227-0114	\$200 / \$225 / \$250	-	Yes	Yes	7 days	6am-10pm		-	-	Covered
39 Pier 28	Imperial Parking	227-0114	\$200 / \$225 / \$250	-	Yes	Yes	7 days	6am-10pm		-	-	Covered
40 Pier 30/32	Imperial Parking	227-0114	-	\$140	Yes	Yes	7 days	5am-11pm		\$15 9am-11pm	-	Uncovered



KEYSER MARSTON ASSOCIATES.
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:
REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

SAN FRANCISCO
A. JERRY KEYSER
TIMOTHY C. KELLY
KATE EARLE FUNK
DERBIE M. KERN
REED T. KAWAHARA
DAVID DOEJEMA

LOS ANGELES
KATHLEEN H. HEAD
JAMEN A. RAHE
GREGORY D. SOO-HOO
KEVIN E. ENGSTROM
JULIE L. ROMBY

SAN DIEGO
PAUL C. MARRA

To: Jeffrey Bauer
Port of San Francisco

From: Keyser Marston Associates, Inc.

Date: May 15, 2014

Subject: Review of 2014-15 Port Minimum Rent Schedule

Introduction & Conclusions

In accordance with your request, Keyser Marston Associates, Inc. (KMA) has undertaken a review of the Port of San Francisco's May 9, 2014 memorandum regarding the "Fiscal Year 2014-15 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event and Filming Rates." KMA has been tasked to review the Port's 2014-15 schedule for the purpose of assessing the reasonableness of the rents for office, industrial/warehouse, and parking facilities. Special events and filming rates are not included in KMA's assessment.

As further described in this memorandum, KMA concludes that the minimum office, industrial/warehouse, and parking rates recommended in the Port's 2014-15 schedule are generally reasonable and consistent with overall market trends.

Background & Approach

The Port of San Francisco is a lessor of a wide variety of real property including office space, industrial/warehouse space, parking spaces, paved and unpaved land, and space for special events and filming. The Port annually updates a schedule of minimum rents for a number of the Port's properties. New leases and lease renewals with terms that equal or exceed the minimum parameters contained in the schedule can be approved by the Port's Executive Director. Leases that fall outside the parameters of the schedule must be approved by the Port Commission.

The purpose of the rent schedule is to set minimum rents, which are intended to approximate the lower end of market, in order to keep to a reasonable number the leases the Port Commission needs to review and approve while at the same time providing additional assurance that the minimum rents are consistent with the market. Port leasing staff is free to lease properties at the highest rate that it can achieve from a certain tenant, and in fact we understand that the majority of leases are successfully negotiated with rents above the minimums.

In performing this assignment, KMA undertook the following tasks:

- Reviewed the Port's proposed 2014-15 minimum rental rate schedule;
- Assessed changes from the Port's 2013-14 rent schedule;
- Reviewed the current rent roll of Port properties;
- Reviewed and analyzed current rent listings and other market data; and
- Discussed the Port's recent leasing activity with Port staff.

We are generally familiar with the Port's properties and have performed "windshield" visual inspections of those properties in prior years.

Analysis

A. Office

Office market conditions in San Francisco have improved from last year. According to a recent report from Cassidy Turley, the average asking rate for office properties in San Francisco (all classes) was \$56.04/sf/year (\$4.67/sf/month) in the 1st Quarter of 2014 (rents on a full service gross basis¹). This represents a 21.5% increase year-over-year. Rents for Class A space specifically were \$58.03, with lower rates attributable to Class B and Class C space. Cushman & Wakefield reports that direct asking office rents (not including subleased space) were up 8.1% year over year.

Port leasing staff has indicated that certain of the Port's office properties have low vacancy rates and are in high demand, and on this basis staff recommends the minimum rents for certain properties be increased from last year. Port staff is recommending that the minimum rents for several office properties be increased in the approximate range of

¹ When comparing office market rents with the Port's office rents, it is noted that many of the Port's rents are expressed on a triple net basis rather than on a full service gross basis. Triple net rent are lower than full service rents because the tenant pays for taxes, insurance, and maintenance expenses in addition to rent.

10% to 20% from last year. For some of the Port's office properties which are in less demand for a variety of reasons, Port staff is not recommending an increase in minimum rents from last year.

Based on a review of third party market data, review of Port lease data for specific properties, and discussions with Port leasing staff, KMA concurs with Port staff's 2014-15 minimum office rent recommendations. It is noted that among the factors that puts downward pressure on the Port's rents relative to the overall San Francisco office market is the more advanced age and less optimal physical condition of many of the Port's facilities as well as the fact that the Port has limited ability to fund up front tenant improvement costs.

B. Industrial/Warehouse

As with the office market, industrial market conditions in San Francisco have also improved from last year. Port staff reports that, in general, demand is high for its industrial/warehouse space. The improvement in the commercial office market and the overall improvement in the San Francisco economy are spreading to other commercial sectors including industrial space. In recognition of improved market conditions, Port staff is recommending that the minimum rents for many of the Port's industrial shed space be increased in the range of 5% from last year, and in a few cases increased 20% to 30%. With these increases, most of the new minimum rents would cluster in the \$0.90 to \$1.25/sf/month range (on an industrial gross basis). According to Cassidy Turley, as of the 1st Quarter of 2014 the average industrial warehouse asking rent in San Francisco was \$0.80/sf/month against a vacancy rate of 6.6%.

Based on a review of Port lease data for specific properties and discussions with Port leasing staff, KMA concurs with the Port's 2014-15 minimum industrial/warehouse rent recommendations.

C. Parking

In May 2014, Port staff updated its survey of rates for parking facilities in the vicinity of the Port. Overall, Port staff's assessment is that market conditions have improved from the prior year. The Port's parking stall vacancy rate improved slightly from 14% in the last fiscal year to 13% this fiscal year. Parking revenues rose by approximately 21% year over year, which is primarily attributable to a roughly 15% increase in the Port's parking inventory (addition of spaces at Pier 9 and truck parking at Piers 90 and 94). In order to reflect improved conditions in the market, Port staff is recommending that the minimum parking rates be increased by roughly 3% for many of the Port's parking facilities. On the

To: Jeffrey Bauer

May 15, 2014

Subject: Review of 2014-15 Port Minimum Rent Schedule

Page 4

basis of the current vacancy rate figures and a review of the Port's survey of competitive parking facilities, KMA concurs with Port staff's rent recommendations.

EXHIBIT H SYNOPSIS OF PORT LEASING POLICIES

The Port Commission has delegated authority to Port staff to execute certain leases, licenses and memoranda of understanding that meet the following criteria:

1. Use Type:
The agreement is for an office building or bulkhead office space, open or enclosed pier shed space, paved or unpaved open space, or open pier or apron space or roof-top space but is not for a retail use.
2. Use Consistency:
Except for temporary uses (with terms not exceeding six (6) months), the use under the agreement represents a like-kind use to the existing or the immediate prior use of the facility.
3. Assignments and Subleases:
Unless otherwise explicitly provided by the Lease, staff is authorized to consent to assignments and subleases on a form approved by the City Attorney and provided the terms and the conditions of the sublease or assignment complies with the terms and conditions of the Lease.
4. As-Is Execution:
The tenant executes the Port's appropriate* standard form agreement with no alterations except for minor changes approved by the City Attorney or changes in insurance requirements approved by the City Risk Manager.
5. Term Limits:
The term of the agreement does not exceed five (5) years, except for those leases in the Fisherman's Wharf Seafood Center at Pier 45 Sheds B and D that have a maximum lease term of ten (10) years (Port Resolution No. 94-122; Amended February 28, 2006, by Resolution No. 06-15). Leases for telecommunication sites may be up to nine (9) years (Port Resolution No. 96-123).
6. Select Tenant Improvement Allowance:
Port staff has the authority to issue tenant improvement allowances for floor and wall coverings if those credits do not result in the net rent over the term of the lease to be below the Minimum Net Effective Rental Rates found in the Rental Rate Schedule. Allowances for paint (amended June 8, 2010 by Resolution 37-10) up to a maximum of \$3.50 per square foot, and for floor covering, up to a maximum of \$5.00 per square foot (amended July 10, 2012 by Resolution 12-52), are allowable when: 1) new paint and/or floor covering is necessary in order to lease space in full service office buildings; and 2) Port staff is unable to perform such work prior to the proposed lease commencement date. These allowances are considered "landlord's work"; therefore such work is not included in calculating the minimum Initial Lease Rental Rates.

7. Limited Early Entry:

One month rent-free early entry to include rent abatement for each year of lease term may be granted, up to three months, for the purpose of space preparation (not to exceed three months). (Amended July 14, 2009 by Resolution No. 09-34)

8. Compliance with Laws:

The standard forms require compliance with all laws, explicitly including requirements for compliance with environmental laws including hazardous materials handling and cleanup; City zoning laws; the Port Waterfront Land Use Plan; and consistency and compliance with the Secretary of the Interiors' Standards for the Treatment of Historic Properties and the Port of San Francisco Historic Preservation Review Guidelines for Pier and Bulkhead Wharf Substructures.

9. Large Land Discount:

Port staff is authorized to offer a 5% discount for land transactions with minimum premises of 43,560 square feet and a minimum term of 36 months (Amended June 8, 2010 by Resolution 10-37).

10. Rental Rates:

The Port's leasing policy provides for an annual update of the Rental Rate Schedule. The Rental Rate Schedule sets ranges of minimum lease/license rental rates per square foot and ranges of Minimum Net Effective Rental Rates per square foot (if any rent credits are to be provided) by type of use and facility for office, shed and industrial space.

11. Reporting to Port Commission:

Port staff provides a monthly report to the Port Commission indicating Leases, Licenses, Memoranda of Understanding, consents to sublease, and assignments executed pursuant to this policy.

12. The City's administrative policy is to competitively solicit leasing opportunities, except where impractical or infeasible.

The Port has a high volume of leases (about 550) for relatively small leased areas at nominal rental rates. To competitively bid such a large volume of leases would be impractical because the benefit of doing so does not outweigh the cost of resources that would be required just for this effort. Moreover, Port is generally able to accommodate most entities that wish to enter into leases for general special events, offices, and pier and open land storage space. As such, it is the policy of the Port not to competitively bid leases or licenses for special events, office, warehouse space, or unimproved land. Instead, for these fairly routine leases, the Port relies on the parameter rental rate structure that is based on an analysis of comparable rent charged in the private sector and/or based on existing conditions of individual properties as adjusted annually to reflect market conditions. However, where a business model is highly competitive and represents a major revenue opportunity for the Port (e.g., development opportunities, retail leases, parking lots, concrete batching, construction materials recycling), the Port would issue a competitive solicitation.

EXHIBIT I
Shed Leases Effective From April 1, 2013 through March 31, 2014

Lessee Name	Contract #	Facility	Square Feet	Rate/SF
Central Waterfront				
B & A Body Works/Towing Inc	L-15673	3450	6,025	0.75
BCCI Construction Co.	L-15754	1500	890	1.25
Build Group, Inc. and Pacific Structures, Inc.	L-15723	1500	5,010	1.25
Distillery No. 209 Ltd. Napa, California	L-15243	1500	4,675	1.25
Principal Builders, Inc.	L-15760	1500	2,179	1.25
SomArts	L-15775	3490	2,817	0.85
		Average Monthly Rate	\$	1.10
Fisherman's Wharf				
A. La Rocca Seafood, Inc.	L-15713	1450	4,115	0.85
A. La Rocca Seafood, Inc.	L-15713	1450	598	1.10
Aiolo Fish Company, Ltd.	L-15236	1450	1,450	0.80
American Scooter & Cycle Rental, Inc.	L-15707	1451	1,964	0.95
San Francisco Community Fishing Association	L-15670	1450	3,604	0.82
		Average Monthly Rate	\$	0.90
Northeastern Waterfront				
Alcatraz Enterprises, Inc.	L-15772	1330	1,230	0.96
Isis Imports Ltd.	L-15761	1330	9,055	0.95
Osprey Seafood of California, Inc.	L-15711	1330	3,460	0.90
Pier 23 Cafe	L-15733	1230	1,403	1.25
Simco Restaurants, Inc.	L-15735	1330	1,230	0.96
		Average Monthly Rate	\$	1.00
South Beach				
San Francisco Commercial Builders, Inc.	L-15773	1280	2,214	0.95
Southern Waterfront				
Metropolitan Electrical Construction Inc.	L-15680	1960	7,500	0.75
Project Frog, Inc.	L-15756	1800	7,837	0.95
Project Frog, Inc.	L-15756	1800	500	0.95
		Average Monthly Rate	\$	0.88



MEMORANDUM

June 5, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer
Executive Director *M Moyer*

SUBJECT: Request approval of License 15762 with Pacific, Gas and Electric Company for the ZA-1 Embarcadero-Potrero 230kV Transmission Project for approximately (i) 435,600 square feet of submerged land between Pier 28½ and the foot of 23rd Street, (ii) 52,272 square feet of underground access for horizontal directional drilling and (iii) 21,120 square feet of land along 23rd Street for a 40 year term, with a 26 year option, subject to approval by the Board of Supervisors

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Introduction

On November 13, 2012, the Port Commission approved Resolution 12-90, endorsing the ZA-1 Embarcadero-Potrero 230kV Transmission Project Term Sheet ("Original Term Sheet") between the Port and Pacific, Gas and Electric Company (PG&E), all related to onshore and submerged Port land between Pier 28 ½ and the foot of 23rd Street and PG&E parcels Block 4110 (Lot 008A) and Block 4120 (Lot 002), commonly known as the "Hoedown Yard" (see Exhibits A and B).

On September 10, 2013, the Port Commission approved Resolution 13-34, endorsing a Revised Project Term Sheet ("Revised Term Sheet"), which incorporated revised business terms negotiated by the Parties, including a new requirement to screen or enclose the existing PG&E 115kV Switchyard located between 22nd Street and 23rd Street along Illinois Street. On February 25, 2014, the Board of Supervisors approved Resolution 54-14, endorsing the Revised Term Sheet with a number of modifications recommended by the Board of Supervisors and its Budget Analyst, as further described in this report.

THIS PRINT COVERS CALENDAR ITEM NO. 12B

This report describes the terms of proposed License 15762 with PG&E for the ZA-1 Embarcadero-Potrero 230kV Transmission Project for approximately (i) 435,600 square feet of submerged land between Pier 28½ and the foot of 23rd Street, (ii) 52,272 square feet of underground access for horizontal directional drilling and (iii) 21,120 square feet of land along 23rd Street for a 40 year term, with a 26 year option (the "ZA-1 License"), and requests Port Commission approval of the attached resolution approving the ZA-1 License, subject to approval by the Board of Supervisors.

This report also includes a description of a proposed Option Agreement and companion Purchase and Sale Agreement for the Hoedown Yard (the "Hoedown Yard Option") between the Department of Real Estate and PG&E that is not subject to approval by the Port Commission but will be considered by the Board of Supervisors in tandem with the ZA-1 License.

I. ZA-1 LICENSE

Background

After examining two upland alternative routes through City neighborhoods, Pacific Gas & Electric ("PG&E") proposes to construct a new, single circuit, 230 kV transmission line between its Embarcadero Substation and its Potrero Substation to increase reliability of electric service to downtown San Francisco and provide operational flexibility along a route of submerged Port property ("ZA-1 Project"). Exhibit C to this staff report shows the service area of the existing Embarcadero Substation that will benefit from this reliability improvement. Exhibit A to this staff report (the "Premises") shows the proposed submarine route for the project along Port submerged land.

According to the California Public Utilities Commission ("CPUC"), PG&E submitted an application for the project to the CPUC on December 11, 2012 (Application # A.12-12-004¹). On October 30, 2013 the CPUC published a Final Mitigated Negative Declaration². The CPUC approved the project on January 16, 2014 (Decision # D.14-01-07³). Exhibit D to this staff report summarizes the CPUC decision findings related to the project. Exhibit E to this staff report includes the mitigation measures adopted by the CPUC for the project which are incorporated into the proposed Project. If the Port Commission adopts the attached resolution, these measures will be conditions of Port Commission approval of the License. The Port will receive copies of all mitigation monitoring reports to the CPUC.

¹ PG&E CPUC Application:

http://delaps1.cpuc.ca.gov/CPUCProceedingLookup/?p=401:56:1249097859999101::NO:RP:57:RIR:P5:PROCEEDING_SELECT:A1212004

² CPUC Final Mitigated Negative Declaration:

<http://www.cpuc.ca.gov/Environment/info/aspen/embarc-potrero/toc-fmnd.htm>

³ CPUC Decision:

<http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=85875195>

The ZA-1 Project remains subject to other required proprietary and regulatory approvals, including approval by the Federal Energy Regulatory Commission ("FERC") and the California Independent System Operator ("CAISO").

Project Description

As described in the September 6, 2013 Port Commission staff report, the proposed Embarcadero-Potrero cable, or ZA-1 Project, would provide a third cable into Embarcadero Substation. Seismic risk is a key consideration in its design and routing. If approved, the ZA-1 Project will also connect PG&E's 230 kV system in San Francisco with both the Trans Bay Cable ("TBC")⁴ and PG&E's existing 115 kV systems in San Francisco, providing operational flexibility to both the 230 kV and 115kV systems. Both PG&E and City staff consider the Embarcadero-Potrero 230 kV Transmission Project a high priority because of the impact that outages would have on downtown San Francisco.

The project will involve both transmission line work and substation work. Three major elements are:

1. Construct an approximately 3.5 mile, 230 kV submarine cable between the Embarcadero Substation and the Potrero Switchyard;
2. Terminate the new cable into a 230 kV bus (to be upgraded as part of a separate reliability project that PG&E is undertaking) at the Embarcadero Substation; and
3. Construct a new 230 kV switchyard adjacent to the Potrero Switchyard, terminate the new cable there, and interconnect the new 230 kV and existing 115 kV switchyards at Potrero Substation via two new 230/115 kV transformers.

The submarine cable route will run in a reinforced underground duct bank the length of 2 city blocks along the TBC alignment as it exits the Potrero Switchyard and enters the Bay. It will then continue in the Bay along the general alignment and several hundred feet to the west of the TBC, and then return to land 2-3 city blocks from the Embarcadero Substation, where it will be installed in a reinforced underground duct bank to the substation. Both landings from the Bay to land will be accomplished through horizontal directional drilling (see Exhibit A).

Port Engineering and Maritime Division staff have reviewed the proposed route and determined that 1) the PG&E plan to install the cable beneath bedrock (adjacent to Piers 30-32 will not hinder maritime operations along side the pier or future dredging of the area (if needed), and 2) the submarine portion of the route is at a sufficient depth so as not to interfere with future maritime operations.

⁴ On August 7, 2007, by Resolution 414-07, the San Francisco Board of Supervisors approved licenses totaling 39 years (including options) for the construction and operation of the Trans Bay Cable on Port submerged land. The Trans Bay Cable project is a 53 mile high-voltage direct current (HVDC Plus) underwater cable interconnection between San Francisco and Pittsburg that transmits up to 400 MW of power.

Seismic Risk and Power Service to Downtown San Francisco

According to the CPUC, the ZA-1 Project will provide significant protection to San Francisco in the aftermath of a major earthquake:

"Both [existing] cables [serving downtown San Francisco] are located in areas of San Francisco expected to be subject to significant liquefaction in the event of a major earthquake. PG&E retained InfraTerra, Inc., a specialist in seismic response of infrastructure systems, and an independent technical review panel consisting of Dr. Thomas O'Rourke of Cornell University and Dr. Steve Kramer of the University of Washington, both recognized experts in seismic response, to evaluate the seismic risk to the two cables. The study shows that there is a 91.1 percent probability of concurrent failure of the two cables in the event of a magnitude 7.8 earthquake on the San Andreas Fault, and a 48.2 percent probability of concurrent failure in the event of a magnitude 7.0 earthquake on the Hayward fault. It further shows that the overall 30-year and 50-year probabilities for concurrent failure are 26 percent and 39.4 percent, respectively.

"Physical damage to each could take two to four months to fix and would have severe economic impacts on downtown San Francisco. PG&E retained Dr. Michael Sullivan of Freeman, Sullivan & Co., an expert in electrical outage costs, to analyze the expected economic costs to businesses of long duration outages in downtown San Francisco. Direct costs to local businesses would range from \$125.7 million in the event of a 24-hour outage to nearly \$3 billion in the event of a seven-week outage. Indirect costs experienced by businesses in California as a whole would range from \$62.9 million to \$251.4 million in the event of a 24-hour outage to \$1.461 billion to \$5.845 billion in the event of a seven-week outage. In addition, many residents, particularly those that live in high-rise buildings that rely on mechanical ventilation and elevators, would have to evacuate their homes and find other places to live during the outage; governmental agencies would incur significant additional costs to provide security, traffic control and emergency services during an outage; and an extended outage would cause many businesses to fail and jobs to be lost.

"The third cable provided by the [ZA-1] project is designed to withstand a 7.8 magnitude earthquake on the San Andreas Fault."

Prior Staff and Board of Supervisors Budget Analyst Analysis

Port staff and the Board of Supervisors Budget Analyst have drafted three prior reports on the proposed ZA-1 Project, available at the following web addresses:

Report	Web Address
November 8, 2012 Staff Report on the Original ZA-1 Term Sheet	Report: http://www.sfport.com/modules/showdocument.aspx?documentid=4928
September 6, 2013 Staff Report on the Revised ZA-1 Term Sheet	Report: http://www.sfport.com/modules/showdocument.aspx?documentid=6674 Exhibits: http://www.sfport.com/modules/showdocument.aspx?documentid=6675
February 7, 2014 Budget Analyst Report on the Revised ZA-1 Term Sheet	https://sfgov.legistar.com/View.ashx?M=F&ID=2907106&GUID=876D17B9-9D13-41ED-833D-5507BD28B90B

Board of Supervisors Amendments

The terms endorsed by the Port Commission in the Revised Term Sheet were amended as follows during Board of Supervisors consideration of the Revised Term Sheet, subject to approval by the Port Commission (where applicable):

- The responsibility for the City's transferable option to acquire the Hoedown Yard for resale to generate proceeds for the Potrero Terrace and Annex HOPE VI Project was shifted from the Office of Economic and Workforce Development to the Real Estate Division of the General Services Agency;
- The Board of Supervisors must approve of the acquisition of the Hoedown Yard by a City department or authorize the sale of the option to acquire the Hoedown Yard to a third party developer;
- The Real Estate Division must conduct a competitive process to dispose of the Hoedown Yard to a third party developer;
- In the event of a sale of the Hoedown Yard to a third party developer, the City may not have any liability exposure in connection with that sale or subsequent uses of the property; and
- The proposal to use Infrastructure Financing District proceeds from the future development of the Hoedown Yard, subject to future approval by the Board of Supervisors, to finance the screening or enclosure of the PG&E Potrero 115 kV Switchyard in the event that electricity rate funding is not available for this purpose was eliminated.

Port staff and PG&E have negotiated the final proposed agreements consistent with this policy direction.

Proposed Terms

The parties agreed to a prepaid rent structure based on two appraisals of nearby upland industrial land and a formula to adjust for submerged land and a combination of exclusive and compatible use zones more fully described in Exhibit F. The prepaid rent for the initial forty (40) year term of the agreement utilizes a 6.5% discount rate, which is the estimated blended average of the Port's costs of funds. The prepaid rent will be paid by PG&E over two installments: 1) \$7,637,602.68 on the License effective date, and 2) \$7,637,602.68 before the later of (a) the CPUC's issuance of a Full Notice to Proceed and (b) January 1, 2015.

The following are the other terms for the proposed non-exclusive license, a copy of which is on file with the Port Commission Secretary:

Table 1: License 15762 Terms

Term	Description
License Area	<p>Approximately (i) 435,600 square feet of submerged land between Pier 28½ and the foot of 23rd Street, (ii) 52,272 square feet of underground access for horizontal directional drilling and (iii) 21,120 square feet of land along 23rd Street.</p> <p>The submerged area is divided into the Submarine Portion Exclusive Zone (1 foot width on either side of the centerline of each of three cables) and the Submarine Portion Compatible Use Zone (4.5 foot width extending beyond the Submarine Portion Exclusive Zone on each side of each cable).</p>
Term	40 years and one 26 year PG&E option to renew
Pre-Paid Rent	<p>Two equal installments: (1) the first to be paid no later than the Effective Date (payment of \$7,637,602.68); AND (2) the second to be paid on or before the later of (a) the CPUC's issuance of a Full Notice to Proceed and (b) January 1, 2015 (payment of \$7,637,602.67).</p> <p>The pre-paid rent is calculated based on the appraisals and methodology described in Exhibit F.</p>
Option Period Rent (for 26 years after 1st 40 years)	<p>Fair Market Value ("FMV") rent, paid either annually or prepaid (at PG&E's option), with rent determined by appraisal. If rent is prepaid for the 26 year option period, the FMV rent will be determined by appraisal, using the same formulas used to establish the initial rent, including an 8% capitalization rate and a discount rate set at the average of the Port's future taxable and tax-exempt bond interest rates.</p> <p>The appraisal process to determine FMV rent includes a baseball arbitration appraisal process, with two initial appraisals and a 3rd appraisal to resolve the process, if needed.</p>
Permitted Uses	<p>(a) Constructing, operating and maintaining the Project, together with all necessary transmission line, fiber optic lines, ductwork, conduit, anchoring foundations and related equipment for use in connection therewith (collectively, the "ZA-1 Line Equipment"), including the right to excavate, repair, reconstruct, replace within the License Area, and remove such ZA-1 Line Equipment, for the purpose of transmission, transportation and/or distribution of electric energy and communications between Licensee's Embarcadero Substation and Potrero Substation in San Francisco; and (b) licensing the unused capacity of the ZA-1 Line with third parties, including any Affiliate of PG&E. All Permitted Uses are subject to Port permitting where required.</p>
Security	<p>\$384,698.86 cash or letter of credit security deposit, refundable when PG&E pays the second installment of the prepaid license fee, AND 1/6th of the Extension Term License Fee that would be due in the last (26th) year of the Extension Term (waived if PG&E elects to pre-pay the option period license fee)</p>
Environmental Security	<p>\$10,000 cash Environmental Oversight Deposit for the recovery of Port's costs and expenses related to the increased inspection, monitoring, enforcement and administration of the License</p> <p>Environmental assurances deposit in the form of an irrevocable standby letter of credit equaling \$6,000,000:</p> <ul style="list-style-type: none"> (i) \$5,000,000 used for Claims due to any requirement of a Regulatory Agency for Investigation/Remediation of Hazardous Materials arising from Licensee's or its Agents' discovery of preexisting contamination to be released 12 months after data is submitted to the Regional Water Quality Control Board subject to conditions set forth in the

Table 1: License 15762 Terms

Term	Description
	<p>License AND</p> <p>(ii) \$1,000,000 for the full and faithful performance by Licensee of its obligations with respect to Hazardous Materials.</p>
Limitations on Other Uses of License Area	<p>Port shall obtain Licensee's reasonable, written consent to:</p> <p>(i) Permit uses that penetrate the Bay mud surface in the Submarine Portion Exclusive Zone.</p> <p>(ii) Permit a lateral crossing through the License Area. If lateral crossings are allowed, Port shall require that such crossings be no closer than five (5) vertical feet from the ZA-1 Line Equipment and be equipped with thermal and mechanical protection.</p> <p>(iii) In the Compatible Use Zone of the submarine portion, permit other underground or submarine electric lines.</p> <p>(iv) With respect to any Horizontal Directional Drilling Area:</p> <p>(1) Install or permit pile installation to the bedrock in the area north and east of Pier 30, provided that Licensee may install such piles to Port's specifications if Licensee determines that special installation techniques are needed to protect the ZA-1 Equipment;</p> <p>(2) Permit construction of soldier piles, piers, pilings, foundations, or other permanent improvements.</p> <p>(v) Dredging:</p> <p>(1) Permit any dredging in the submarine portions of the License Area;</p> <p>(2) In the area north and east of Piers 30-32, Port may be permitted to dredge up to a depth of forty feet (40') below mean lower low water if Port reasonably determines dredging to such depth is required to support or advance maritime operations and use within Port jurisdiction, provided that in no event shall Port dredge within five (5) vertical feet of the ZA-1 Line Equipment.</p> <p>(vi) Port will cooperate with Licensee to have the License Area designated as a no anchoring area by the US Coast Guard.</p> <p>If Licensee denies consent, Port may seek CPUC approval to allow the activity or to allow the proposed facilities to be co-located in the License Area, which approval would supersede Licensee's denial.</p> <p>Licensee will ensure that the License Area is depicted on all official navigation maps as a "no anchoring" area.</p>
Required Removal or Relocation of ZA-1 Line	<p>Licensee agrees that it will remove or relocate without expense to Port or City any ZA-1 Line Equipment by any lawful change of grade, alignment or width of any street or right of way, or, if such removal or relocation is made necessary by any work to be performed under the governmental authority of Port or the City.</p> <p>Licensee and the Port/City will use commercially reasonable efforts to facilitate the design of any Port or City project requiring such removal or relocation to minimize time and expense to both Parties. The Parties will negotiate in good faith to amend this License to reflect the new License Area and any associated fees.</p> <p>If the ZA-1 Line cannot legally be moved or the Port or City can reasonably redesign or reroute a Port or City project at a lower cost than moving the ZA-1 Line, Port and Licensee will negotiate to allow the Port or City to proceed in an alternative manner acceptable to all Parties, conditioned on Licensee bearing the incremental costs of the City/Port alternative (where incremental means the difference between the Port's/City original</p>

Table 1: License 15762 Terms

Term	Description
	conflicting design and the Port's/City alternative design).
Potrero Switchyard Screening	Within 10 years after executing the ZA-1 License, the City may designate its preference ("Preferred Screen") for 1) enclosing the Potrero Switchyard in a building, or 2) surrounding a significant portion of the Potrero Switchyard with a perimeter screen performed at PG&E's cost. PG&E will use commercially reasonable efforts to obtain rate reimbursement and other approvals required for these improvements.
Sales and Use Tax	City shall be entitled to receive applicable sales and use taxes ordinarily payable under Law. Licensee shall use its best commercially reasonable efforts to have the City and County of San Francisco realize sales and use taxes as to the Project in San Francisco, including all of its components.

Potrero Switchyard Screening

As described in the September 6, 2013 Port Commission staff report, the screening or enclosure of the existing 115 kV Potrero Switchyard is critical to support planned growth at the Pier 70 and NRG⁵ sites in the Central Waterfront, a Priority Development Area. The License requires PG&E to obtain the approvals for and construct screening (or otherwise enclose) the Potrero Switchyard as a public benefit of the ZA-1 Transmission Line.

Within 10 years after executing the ZA-1 license, the City may designate its Preferred Screen (either enclosing the Switchyard in a building or constructing a perimeter screen). Following this notice, PG&E will apply for rate-reimbursement, commence CEQA and apply for other required permits for the Preferred Screen. The conceptual design for the Preferred Screen will include architectural and aesthetic qualities consistent with PG&E's customary protocols for screening dense urban substation facilities, subject to review by the Port's Waterfront Design Advisory Committee. Subject to force majeure events, or its failure to obtain required approvals, PG&E shall complete construction of the approved Revised Screen Design no later than five (5) years after the City presents the notice of its Preferred Screen.

The Revised Term Sheet previously contemplated that infrastructure financing district proceeds from future development of the Hoedown Yard, subject to Board of Supervisors approval, could be a source to partially fund the Preferred Screen, if rate funding was insufficient. The Board of Supervisors was not supportive of this concept, so it has not been included in the agreement.

⁵ The NRG site is a 23 acre parcel immediately to the south of Pier 70 which was the site of the former Potrero Power Plant which closed in January 2011.

Southern Waterfront Community Benefits

City staff believes that the ZA-1 project provides critical transmission reliability benefits to the City. In addition, the City option to acquire the Hoedown Yard and the PG&E obligation to screen the Potrero Switchyard as described above are major public benefits of the proposed project which will benefit the Southern Waterfront community and increase the value of Port property.

The proposed License is subject to the Port's Southern Waterfront Community Benefits Policy. As such, Port staff will set aside 8% of project rents to the Southern Waterfront Community Benefit Fund ("Fund"), or \$1,222,016. The Fund is used to pay for open space and related public improvements in the Southern Waterfront. Expenditures from the fund are subject to Port Commission approval. As a condition of the License, PG&E has also agreed to construction of a sidewalk and related right of way improvements on 23rd Street adjacent to the Potrero Switchyard.

PG&E has negotiated a voluntary Local Hire agreement with the Office of Economic and Workforce Development which includes the following provisions:

- PG&E contractors will use their best efforts to utilize individuals from the CityBuild⁶ program;
- PG&E Contractors will use good faith efforts to meet a San Francisco local hiring goal of 30% or more for project laborer positions;
- PG&E will work with Contractors to identify required certifications and training for employment of workers and assist in providing required training; and
- CityBuild will identify key staff as liaisons to the Project and as a referral agency to provide referrals of qualified economically disadvantaged individuals for employment on the Project.

Projected Ratepayer Impacts within CAISO Grid

The cost of transmission lines constructed within the Control Area of CAISO is shared by electricity ratepayers in California. The CAISO Control Area generally includes PG&E Territory, Southern California Edison (SCE) Territory, San Diego Gas & Electric (SDG&E) Territory and other metered subsystems.

Based on a project cost of \$197 million, including contingency, PG&E projects that the average impact to rates in this service area will be 1.012 cents per kWh based on average electricity usage in San Francisco, with residential customers seeing an impact of approximately 1 cent per kWh. Based on an estimated \$100 million in equipment

⁶ CityBuild is an employment program in the Office of Economic and Workforce Development ("OEWD"). CityBuild provides workforce training and job placement services to San Francisco residents in the construction industry.

costs, the project is projected to generate up to \$9.5 million in sales taxes to the City over the two year construction period.

Project Schedule

PG&E is pursuing the following Project schedule:

- Building Construction and Equipment Installation: June 2014 – Feb. 2016
- Onshore Infrastructure Construction: Oct. 2014 – Aug. 2015
- Offshore Cable Laying: June 2015 – Aug. 2015
- Cable in Service: April 2016

II. Hoedown Yard Option

As a condition of the license, City staff has negotiated a transferable Real Estate Division option to acquire the PG&E Hoedown Yard, which includes a portion of Irish Hill ("Hoedown Yard Option Agreement"), adjoining Pier 70. The Port of San Francisco is not a party to the Hoedown Yard Option Agreement and the agreement and its companion form of purchase and sale agreement ("Purchase and Sale Agreement") are not subject to Port Commission approval. However, given the proximity of the Hoedown Yard to Pier 70, Port staff has participated in the discussions between the parties. A map of the Hoedown Yard is attached as Exhibit B.

While the Port will not own the Hoedown Yard Option Agreement, a description of current site conditions and the Option are included in this report in order to provide a complete record of the ZA-1 Project transaction between the City and PG&E.

Current uses at the Hoedown Yard include parking, equipment storage, stockpiling and temporary storage of drilling mud, concrete, soil, sand, gravel and asphalt associated with PG&E utility projects. Relocation of these functions from the Hoedown Yard will enhance the Port's efforts to revitalize Pier 70⁷. Exhibit G shows the proximity of the Hoedown Yard to Pier 70.

The City option to purchase the Hoedown Yard is transferable, allowing the City to transfer this purchase right to a private entity. Since the Hoedown Yard is an asset of a regulated utility, PG&E's sale of the Hoedown Yard is subject to CPUC approval

⁷ On May 28, 2013, the Port Commission approved Resolution 13-20 endorsing a Term Sheet between the Port and Forest City Development California, Inc. ("Forest City") for the mixed-use development of the Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay, shown in Exhibit G. The Term Sheet was subsequently endorsed by the Board of Supervisors on June 11, 2013. City staff, including Port staff, and Forest City continue to pursue entitlement of the Pier 70 Waterfront Site.

pursuant to Section 851 of the California Public Utilities Code, unless PG&E is able to relocate these activities before the City exercises the option.

Not unlike the surrounding Pier 70 area, the Hoedown Yard contains known contamination. PG&E has completed site investigation and a human health risk assessment. The findings of this assessment indicate that arsenic is present in soil within an approximately 20,000 sf (by approx. 5 ft. deep) area in the northwest corner of the site at concentrations that pose a potential human health risk to future construction workers upon disturbance of the soil (not to current or future commercial/industrial workers). All other contaminants investigated exist at concentrations below levels of concern. The Port and City do not, and will not, bear any responsibility for existing contamination or the environmental risk exposure of future uses on the site.

The San Francisco Bay Regional Water Quality Control Board ("Water Board") has approved PG&E's investigations and agrees that no remediation is warranted under current or anticipated future conditions, provided that activities at the site comply with an approved Site Management Plan ("SMP") and land use is restricted to commercial/industrial uses through a deed restriction recorded by the Water Board.

PG&E has developed and Water Board has approved a SMP for the Hoedown Yard. The SMP specifies measures to protect workers, minimize dust, prevent contamination of stormwater, and other measures to manage potential risks from soil contamination.

Port environmental staff also has reviewed the SMP and the Water Board deed restriction and believe that Hoedown Yard site conditions are suitable for future commercial or industrial use. If a third-party developer desires to acquire the City's option for the site for residential purposes, further remedial actions (such as removal or capping of arsenic-contaminated soil) would likely be required, along with approval of the Water Board to lift the deed restriction.

Pursuant to the Port's Waterfront Site Term Sheet with Forest City, Forest City will include the Hoedown Yard in the proposed Special Use District ("SUD") for the Waterfront Site for purposes of rezoning and design for development controls. The SUD is expected to be ready for consideration by the Planning Commission and the Board of Supervisors by mid-2016, after environmental review of the Waterfront Site mixed use development is complete, which means that the Hoedown Yard would be rezoned and ready for sale to a third-party within that timeframe, subject to required regulatory approvals. PG&E has authorized the City and Forest City to pursue this rezoning. Port staff will continue to monitor the Real Estate Division's activities with respect to the Hoedown Yard.

Based on preliminary analysis – subject to change depending on market factors and site specific development risks – Port staff estimates that the difference between the as-is purchase price of the Hoedown Yard and its future rezoned value for residential use could be in excess of \$20 million. The City will continue to examine the highest and best use of the Hoedown Yard during development of the Waterfront Site SUD and associated environmental review. The range of permissible future uses of the Hoedown

Yard will ultimately be decided by the Planning Commission and the Board of Supervisors.

Subject to approval by the Board of Supervisors, the Director of Real Estate will conduct a competitive process to sell its option to purchase the Hoedown Yard. Unless the City opts to acquire the Hoedown Yard for its own use, City staff expects that the City will not be in the chain of title for the site. The City intends to designate any net proceeds of its sale price to a third-party developer based on its rezoned value as a source of funds for the Potrero Terrace and Annex HOPE VI project, a major priority of Mayor Edwin Lee. For more information about this project, see <http://www.rebuildpotrero.com/>.

Table 2: Hoedown Yard Option Agreement and Purchase and Sale Agreement	
Term	Description
Premises	PG&E parcels Block 4110 (Lot 008A) and Block 4120 (Lot 002), 130,600 sf of industrial land at Illinois and 22 nd Street (see Exhibit B)
Purchase Price	\$8,315,302 (\$63.37 per square foot)
Term	City or its transferee may exercise the Option by delivering written notice to PG&E on or before December 31, 2019
Section 851 Order	Unless PG&E relocates its current Hoedown Yard operations in advance of the City's exercise of the Option, the CPUC will need to approve a Section 851 Order to allow PG&E to sell the property
Environmental Provisions	<ul style="list-style-type: none"> • Certain uses on the Hoedown Yard will be prohibited, including school, daycare and hospital uses and ground floor private open space; • High density residential, office and public open space will be permitted, subject to a modification to the Water Board's deed restriction; • The ultimate buyer of the Hoedown Yard will clean up the arsenic in the northwest corner of the site and indemnify and hold harmless PG&E from liability, including liability for personal injury, property damage, or further cleanup, during and after the construction of any new uses on the Hoedown Yard; • The owner of the Hoedown Yard or its agent will supply a \$1 million letter of credit to PG&E to back its indemnity until 3 years after Certificate of Occupancy; • Construction on site will comply with a risk management plan and defined institutional controls, such as use of 3' feet of clean soil and a demarcation layer above native soil in soft scaped areas such as public open space; and • The property owner/operator will notify all residents of site conditions and tenants and contractors of site conditions and required institutional controls and require notification of subtenants and subcontractors. <p>Exhibit H to this staff report details the environmental risk management measures negotiated between City staff and PG&E related to future development on the Hoedown Yard.</p>

The Hoedown Yard Option Agreement and the form of Purchase and Sale Agreement are subject to approval by the Board of Supervisors concurrent with the License. No action by the Port Commission is requested for this part of the agreement with PG&E.

Recommendation

Port staff recommends approval of the attached resolution which approves License 15762 between the Port and PG&E, subject to approval by the Board of Supervisors and authorizes the Executive Director to enter into the License. If the Port Commission approves the resolution, Port staff proposes the following next steps:

1. Port staff will submit the License and the Real Estate Division will submit Hoedown Yard Option Agreement and form of Purchase and Sale Agreement to the Board of Supervisors for its consideration;
2. If approved, the Port Executive Director will execute the License and the City Director of Real Estate will execute the Hoedown Yard Option Agreement;
3. Port staff will coordinate with the Planning Director to provide notice to PG&E of the City's Preferred Screen for the Potrero Switchyard; and
4. Port and OEWD staff will collaborate with Forest City California to entitle the Hoedown Yard for its highest and best use as part of broader Pier 70 Waterfront Site entitlement efforts.

Prepared by: Brad Benson, Director of Special Projects

For: Monique Moyer, Executive Director

Exhibits

- A. Premises
- B. Hoedown Yard
- C. PG&E Embarcadero Substation Service Area Map
- D. CPUC Findings from Decision Granting Certificate of Public Convenience and Necessity
- E. CPUC Adopted Mitigation Measures
- F. Hoedown Yard Appraisal Process and Valuation of Submerged Land
- G. Pier 70 Waterfront Site Conceptual Land Use Plan
- H. Hoedown Yard Environmental Risk Management Measures (City-PG&E Option Agreement)

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-43

- WHEREAS, California Statutes of 1968, Chapter 1333 (the "Burton Act") and the San Francisco Charter Section B3.581 empower the San Francisco Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port Commission jurisdiction; and
- WHEREAS, Pacific Gas & Electric ("PG&E") proposes to construct a new, single circuit, 230 kV transmission line between its Embarcadero Substation and its Potrero Substation, along onshore and submerged land in the Port's jurisdiction generally within the area bounded by Pier 28 ½ and portions of the shoreline at the foot of 23rd Street (the "Project"), to increase reliability of electric service to downtown San Francisco and provide operational flexibility, as further described in the staff report accompanying this resolution; and
- WHEREAS, At the Port Commission's August 14, 2012 meeting, an informational presentation about the Project was made by Port staff and Port staff was directed to negotiate a term sheet for use of Port lands for the Project; and
- WHEREAS, At its November 13, 2012 meeting, the Port Commission approved Resolution 12-90, endorsing the ZA-1 Embarcadero-Potrero 230kV Transmission Project Term Sheet ("Original Term Sheet") between the Port and PG&E and authorizing Port staff to enter into a Negotiation Agreement with PG&E, related to onshore and submerged Port land between Pier 28½ and the foot of 23rd Street and PG&E parcels Block 4110 (Lot 008A) and Block 4120 (Lot 002), commonly known as the "Hoedown Yard"; and
- WHEREAS, At its September 10, 2013 meeting, the Port Commission approved Resolution 13-34 endorsing the Revised ZA-1 Embarcadero-Potrero 230kV Transmission Project Term Sheet ("Revised Term Sheet") between the Port and PG&E related to onshore and submerged Port land, including approximately 435,600 square feet of submerged land between Pier 28½ and the foot of 23rd Street, 52,272 square feet of underground access for horizontal directional drilling and 21,120 square feet of land along 23rd Street, as shown on Exhibit A (the "Premises") and an option to acquire the Hoedown Yard (the "Hoedown Yard Option Agreement"); and
- WHEREAS, The California Public Utility Commission's ("CPUC") Energy Division staff issued a draft Mitigated Negative Declaration ("MND") on August 13, 2013, notice of the draft MND was published in the San Francisco Examiner on August 18 and 19, 2013, and a public informational meeting was held on August 20, 2013, in San Francisco; and

- WHEREAS, The CPUC Energy Division received public comments from the California Department of Fish and Wildlife, the San Francisco Bay Conservation Development Commission, the San Francisco Public Utilities Commission, two members of the public, and PG&E and responded to all of the comments in the final MND, which it issued on October 30, 2013; and
- WHEREAS, Although a few revisions were made to clarify and revise the discussion and certain mitigation measures described in the MND, the final MND does not identify any new significant environmental impacts, and does not omit any existing mitigation measures, from those identified in the draft MND; and
- WHEREAS, On January 16, 2014, the California Public Utilities Commission ("CPUC"), as lead agency, certified the Mitigated Negative Declaration ("MND") and issued a Certificate of Public Convenience and Necessity for the Project by Decision No. 14-01-07; and
- WHEREAS, On March 5, 2014, pursuant to Resolution No. 54-14, the Board of Supervisors endorsed the Revised Term Sheet, subject to several changes to the proposed Hoedown Yard Option Agreement, which will be executed by the Department of Real Estate; and
- WHEREAS, Port and City staff have negotiated License 15762 (the "License") and the City's Hoedown Yard Option Agreement and form of purchase and sale agreement (the "Purchase and Sale Agreement") consistent with the terms of Port Commission Resolution 13-34 and Board of Supervisors Resolution 54-14, as described in the staff report accompanying this resolution, copies of which are on file with the Port Commission Secretary; and
- WHEREAS, The Port Commission is not a party to the City's Hoedown Yard Option Agreement and form of Purchase and Sale Agreement, and is not responsible for current or future uses of the site; and
- WHEREAS, All applicable mitigation measures from the CPUC MND (as shown in Exhibit E of the accompanying staff report) have been incorporated into the proposed Project, the Port Commission has imposed them as conditions of approval, and the Port will receive copies of all mitigation monitoring reports to the CPUC; now, therefore, be it
- RESOLVED, That the Port Commission adopts and incorporates by reference as though fully set forth herein the mitigation measures for the project described in Exhibit E of the accompanying staff report; and, be it further
- RESOLVED, That subject to approval by the Board of Supervisors, the Port Commission authorizes and directs the Executive Director of the Port ("Executive Director") to execute the License, in substantially the form on file with the Port Commission Secretary, and in such final form as is

approved by the Executive Director in consultation with the City Attorney;
and, be it further

RESOLVED, That the Port Commission authorizes the Executive Director to enter into other agreements, encroachment permits, and easement agreements necessary to implement the project contemplated by the License, and to enter into any additions, amendments or other modifications to the License, including preparation and attachment of, or changes to, any or all of the attachments and exhibits that the Executive Director, in consultation with the City Attorney, determines are in the best interests of the City or Port, do not materially decrease the benefits or otherwise materially increase the obligations or liabilities of the City or Port, and are necessary or advisable to enable PG&E to complete the project that the License contemplates and effectuates the purpose and intent of this resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of such other agreements, easement agreements and/or additions, amendments or other modifications to the License.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of June 10, 2014.

Secretary



PROPOSED PG&E
SUBMARINE CABLES

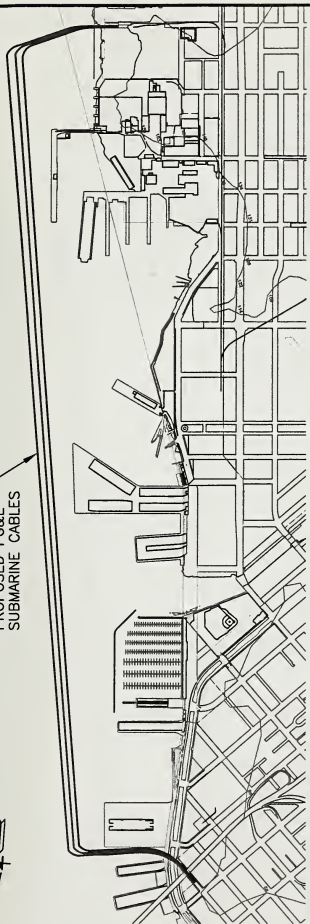
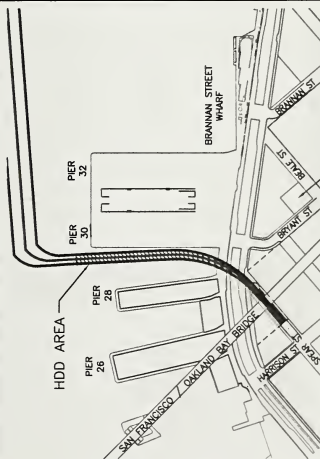


EXHIBIT A



SUBMARINE PORTION
COMPATIBLE USE ZONE

SUBMARINE PORTION
EXCLUSIVE USE ZONE

TYPICAL SUBMARINE
CABLE LOCATION



TYPICAL SUBMERGED LAND USE
ZONES FOR THREE CABLES

LICENSEE NO.

15762

LICENSEE

SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

PACIFIC GAS & ELECTRIC CO.

DRAWN BY: DCC

CHECKED BY: B. BENSON

PLATE CODE NO.

DATE: JUN 4 2014

SCALE: NONE

SHEET NO. 1

OF 2 SHEETS

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INITIALS: PORT: _____ LICENSEE: _____ DATE: _____

ILLINOIS ST

BLOCK 4110
(LOT 008A)

PG&E HOE DOWN YARD

MICHIGAN ST

BLOCK 4120
(LOT 002)

20TH ST

101

102

122

104

123 0

105

113

114

115

116

14

22ND ST



--- PORT JURISDICTION LINE



WATERFRONT SITE

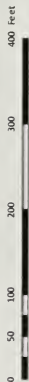
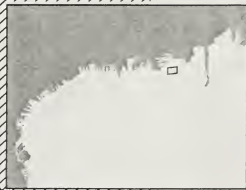


EXHIBIT B

PG&E HOE DOWN YARD

PORT OF SAN FRANCISCO



Area Served by Embarcadero Sub

SF J SUB

EMBARCADERO
Z SUB

LARKIN
Y SUB

MISSION
X'SUB

SF I SUB

EXHIBIT C



Exhibit D:
CPUC Findings from January 16, 2014 Decision Granting
Certificate of Public Convenience and Necessity

Findings of Fact

1. There is a need to improve the reliability of electric service for downtown San Francisco to reduce the potential for extended electrical outages in a seismic event.
2. The Embarcadero-Potrero 230 kV Transmission Project will meet the need to improve the reliability of electric service for downtown San Francisco.
3. There is no cost-effective alternative to transmission facilities that meet the need to improve the reliability of electric service for downtown San Francisco.
4. No party opposes the project on the basis of community values.
5. With the implementation of the mitigation measures identified in the Mitigation Monitoring Plan identified in the MND and attached to this order, the Embarcadero-Potrero 230 kV Transmission Project will avoid any significant environmental impacts, including those with respect to public safety and the safety of utility services, recreational and park areas, historical and aesthetic values, and influences on the environment.
6. PG&E's preliminary EMF management plan for the Embarcadero-Potrero 230 kV transmission project includes no-cost and low-cost measures (within the meaning of D.93-11-013, and D.06-01-042) to reduce possible exposure to EMF.
7. The Commission has reviewed and considered the information contained in the MND and finds that it reflects the Commission's independent judgment and analysis.
8. The maximum reasonable cost for the project is \$196.8 million, including contingency.
9. Hearings are not necessary.

Conclusions of Law

1. The MND was completed in compliance with CEQA.
2. PG&E's preliminary EMF management plan for the Embarcadero-Potrero 230 kV Transmission Project is consistent with the Commission's EMF policy for implementing no-cost and low-cost measures to reduce potential EMF impacts.
3. PG&E should be granted a certificate of public convenience and necessity to construct the Embarcadero-Potrero 230 kV transmission project with the mitigation identified in the Mitigation Monitoring Plan, which is attached to this order.
4. If the final detailed engineering design-based construction estimate for the Embarcadero-Potrero Transmission Project is one percent or more lower than \$196.8 million, including contingency, absent good cause shown to the contrary, it is reasonable for the Commission to adopt the lower amount as the maximum reasonable cost for the project.

5. If the final detailed engineering design-based construction estimate for the Embarcadero-Potrero Transmission Project is one percent or more lower than \$196.8 million, including contingency, PG&E should, within 30 days of developing the final estimate, file an advice letter to show cause why the Commission should not adopt a lower amount as the maximum reasonable and prudent cost to reflect the final estimate.
6. This decision should be effective today.
7. Application 12-12-004 should be closed.

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



FINAL
Mitigated Negative Declaration
Pacific Gas & Electric Company's
Embarcadero-Potrero 230 kV Transmission Project
Application No. A.12-12-004

Lead Agency: California Public Utilities Commission
Energy Division
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Contact: Billie Blanchard, Project Manager
(415) 703-2068 or billie.blanchard@cpuc.ca.gov

1. Mitigated Negative Declaration

1.1 Project Information

Project: Embarcadero-Potrero 230 kV Transmission Project
San Francisco, California

Project Sponsor: Pacific Gas and Electric Company
77 Beale Street, B30A
San Francisco, California 94105
(800) 743-5000

1.2 Introduction

Pursuant to California Public Utilities Commission's (CPUC) General Order 131-D, Pacific Gas and Electric Company (PG&E), a regulated California utility, filed an application and Proponent's Environmental Assessment (PEA) on December 11, 2012 (Application No. A.12-12-004), for a Certificate of Public Convenience and Necessity (CPCN) to authorize construction of the Embarcadero-Potrero 230 kilovolt (kV) Transmis-

sion Project (Proposed Project). The CPUC Energy Division deemed the PEA and Application complete on January 10, 2013.

Pursuant to CEQA, the CPUC must prepare an Initial Study (IS) for the Proposed Project to determine if any significant adverse effects on the environment would result from project implementation. The IS utilizes the significance criteria outlined in Appendix G of the CEQA *Guidelines*. If the IS for the project indicates that a significant adverse impact could occur, the CPUC would be required to prepare an Environmental Impact Report (EIR).

According to Article 6 (Negative Declaration Process) and Section 15070 (Decision to Prepare a Negative Declaration or Mitigated Negative Declaration) of the CEQA *Guidelines*, a public agency shall prepare or have prepared a proposed negative declaration or mitigated negative declaration for a project subject to CEQA when:

- (a) The initial study shows that there is no substantial evidence, in light of the whole record before the agency, that the project may have a significant effect on the environment, or*
- (b) The initial study identifies potentially significant effects, but:*
 - (1) Revisions in the project plans or proposals made by, or agreed to by the applicant before a proposed mitigated negative declaration and initial study are released for public review would avoid the effects or mitigate the effects to a point where clearly no significant effects would occur, and*
 - (2) There is no substantial evidence, in light of the whole record before the agency, that the project as revised may have a significant effect on the environment.*

Based on the analysis in the Initial Study, it has been determined that all project-related environmental impacts could be reduced to a less than significant level with the incorporation of feasible mitigation measures. Therefore, adoption of a Mitigated Negative Declaration (MND) will satisfy the requirements of CEQA. The mitigation measures included in this MND are designed to reduce or eliminate the potentially significant environmental impacts described in the Initial Study. Where a measure described in this document has been previously incorporated into the project, either as a specific project design feature or as an Applicant Proposed Measure, this is noted in the discussion. Mitigation measures are structured in accordance with the criteria in Sections 15126.4 and 15370 of the CEQA *Guidelines*.

1.3 Project Description

The proposed Embarcadero-Potrero 230 kV Transmission Project would include construction, operation, and maintenance of a new 230 kV transmission line entirely within the City and County of San Francisco from the Embarcadero Substation at the corner of Fremont and Folsom Streets, to the Potrero Switchyard on Illinois Street between 22nd and 23rd Streets.

The new 230 kV transmission line would be approximately 3.5 miles in total length, including approximately 2.5 miles to be installed offshore in the San Francisco Bay, 0.4 miles to be installed in horizontal directional drills (HDD) between onshore transition points and the bay, and approximately 0.6 miles to be installed underground in paved areas, including Spear Street and Folsom Street in San Francisco's Rincon Hill neighborhood. Construction of a new 230 kV switchyard would occur near the existing Potrero Switchyard, but no new substation work is proposed to occur at the existing Embarcadero Substation beyond the proposed termination of the new cable into the 230 kV bus.

PG&E's project objectives include improving the reliability of the existing transmission system in San Francisco to provide a high likelihood of continued electric service to downtown San Francisco in the

event of overlapping outages on both of two existing 230 kV transmission lines that presently feed Embarcadero Substation.

1.4 PG&E PEA Alternatives Considered

CEQA does not require the inclusion of an alternatives analysis in a Mitigated Negative Declaration because the Initial Study concludes that, with incorporation of mitigation measures, there would be no significant adverse impacts resulting from the Proposed Project (CEQA Guidelines Sections 15063(d) and 15071). However, PG&E was required to provide an alternative analysis in its PEA that was submitted as part of its CPCN application (A.12-12-004) for the Proposed Project.

Although no alternatives analysis is required to be provided in this document, this section summarizes the process that PG&E used to develop its Proposed Project, because this process involved evaluation of several options that could meet the project objectives. As described in the PEA, PG&E initially screened 10 potential routes, three possible transition locations for the cables at each end of the route, and three switchyard locations before narrowing the options to the following, which were further evaluated in a feasibility study (PG&E, 2012a; B&V, 2012):

- Three switchyard site location alternatives, including the proposed site immediately east of the existing Potrero Switchyard
- Two onshore alternative transmission line routes
- Proposed submarine route (Proposed Project)
- No Project Alternative

In accordance with Section IX (A)(1)(a) of CPUC General Order 131-D, PG&E provided a discussion and an evaluation of the advantages and disadvantages of each of these alternatives in the PEA, as well as a brief description of the criteria for choosing the proposed route and switchyard location. The PEA determined that the Proposed Project would have considerably less impact on urbanized areas than either of the alternative onshore routes given that it has only 0.6 mile of underground construction, and therefore, would have the least impact on urbanized residential and commercial areas, including the least construction impacts to land uses, traffic, transportation, noise, and air quality. PG&E also concluded in the PEA that the proposed route would be the most reliable seismically of the three route alternatives and would best meet the project purpose and need. PG&E selected the proposed switchyard site due to engineering feasibility and ease of connectivity to existing facilities (PG&E, 2012a). PG&E's PEA section that addresses alternatives is available at the following website:

<http://www.cpuc.ca.gov/Environment/info/asp/enbarc-potrero/pea/5-Alternatives.pdf>

1.5 CAISO San Francisco Peninsula Reliability Assessment

The San Francisco-Peninsula transmission system is in the center of PG&E's service territory, serving urban load centers across a unique geographic landscape. The California Independent System Operator (CAISO) considered the Proposed Project during 2011 and 2012, and during other transmission planning cycles the CAISO has or will consider other San Francisco-area proposals. On March 23, 2012, the CAISO Governing Board found the Proposed Project to be needed for reliability, as shown in its 2011-2012 Transmission Plan (pp. 107-108 of CAISO, 2012).

Since then, the CAISO 2012-2013 Transmission Plan initiated a study of the potential need for transmission reinforcement of the San Francisco Peninsula as being particularly vulnerable to lengthy

outages in the event of extreme contingencies (i.e., seismic, third-party action, and/or co-located facility failure). CAISO is in the process of conducting the San Francisco Peninsula Extreme Event Reliability Assessment to determine the need and urgency for reinforcement and is engaging stakeholders in the evaluation of risks and potential alternatives. The purpose of the CAISO study is to:

- identify the system performance after extreme events;
- identify the risk and impacts of extreme events in the San Francisco Peninsula area; and
- based upon the system performance, risks and impacts, identify potential alternatives to mitigate for the extreme events. (CAISO, 2013)

The CAISO conducted a detailed assessment and held a stakeholder meeting on May 29, 2013, soliciting comments from stakeholders by June 19, 2013. Based on the assessment, the following mitigation alternatives are going to be considered by the CAISO in developing the mitigation plan for the extreme event in the peninsula area (CAISO, 2013):

- No mitigation (not acceptable based upon the CAISO's assessment)
- Expanded mobile and spare equipment contingency plans and strategy
- Modifications or upgrades to 230 kV system
- Upgrades to 115 kV system
- New 230 kV supply into North Peninsula area:
 - Moraga
 - Pittsburg
 - East Shore
 - San Mateo

Depending upon the results, additional transmission upgrades may be brought to the CAISO Board of Governors ~~as early as September in late 2013 or early 2014.~~

Due to the sensitive nature of the material, the reliability assessment and presentations from the stakeholder meeting are being handled on a confidential basis. However, in compliance with FERC Order 890, the CAISO provides stakeholders access to confidential information used in the transmission planning process through a secured website. Information on how to join the stakeholder process and access the secured transmission planning webpage can be found at:

http://www.caiso.com/Documents/2012-2013_TransmissionPlanningProcessAdditionalStudyAssessmentMaterialsAvailableJun6_2013.htm.

1.6 San Francisco Port Commission Negotiations

The San Francisco Port Commission (SF Port) established a Revised Term Sheet with PG&E after the August 2013 release of the Draft MND. At its September 10, 2013 meeting, the Port Commission considered Resolution 13-34 to endorse the Revised Term Sheet. In contrast to the original term sheet from November 2012, the Revised Term Sheet now contemplates a requirement for PG&E to screen or otherwise enclose the existing 115 kV Potrero Switchyard along Illinois Street between 22nd Street and 23rd Street. This means that the recent Port Commission decision to endorse the Revised Term Sheet is at least partially based on the SF Port License "obligating PG&E to screen the Potrero Switchyard" (at p.1 of the Term Sheet).

Because the Term Sheet endorsed by the Port defines a future requirement for PG&E to screen or enclose the existing Potrero Switchyard, this MND/Initial Study evaluates whether enclosing the switchyard amounts to an activity that would either be undertaken as part of the Proposed Project, caused by the project, or caused indirectly by the project. If so, the physical changes in the environment stemming from screening the switchyard would need to be disclosed to the extent they are reasonably foreseeable (see CEQA Guidelines 15064).

This MND/Initial Study does not treat screening the existing Potrero Switchyard as a reasonably foreseeable consequence of PG&E developing the Proposed Project. Although the City wishes to obligate PG&E to either enclose a substantial portion of the existing 115 kV Potrero Switchyard within a building or construct a screen around the perimeter of the switchyard, the Term Sheet itself is not contractually binding, and it does not presently commit PG&E to screening or enclosing the switchyard. The Term Sheet specifies that the City must first, within 10 years after executing the License for the Proposed Project, provide PG&E with notice of its preference, through a "Designation Notice" of the City's "Preferred Screen", which would then be subject to the Port's Waterfront Design Advisory Committee review. Following the Port's design committee review of PG&E's screening proposal, PG&E must then obtain the necessary approvals before commencing construction of the screen or enclosure. The Term Sheet also notes that negotiations will continue to occur before a License for the Proposed Project can be executed by PG&E and the Port Commission, and the binding form of the License will only become known after the present environmental review for the Proposed Project has been completed. The final terms and conditions of the negotiated transaction for the License are subject to the approval of the Port Commission.

PG&E has not presented to the CPUC any plans for an enclosure or screen at this time. After the City's designation, PG&E will need to apply for future approvals to construct the City's preferred screen, and this may require conducting a future project-level environmental review under CEQA of that proposal. PG&E notes that the purpose of the screening would be separate from the objectives of the Embarcadero-Potrero 230 kV Transmission Project, and screening could be implemented entirely separately of the Proposed Project [PG&E in Response to CPUC Data Request PD-18, General Reply to SPUC Letter, October 3, 2013 (PG&E, 2013a)].

Foreseeable Environmental Effects of Screening for Potrero Switchyard. Although construction of screening for or enclosing the existing Potrero Switchyard would not be directly or indirectly caused by the Proposed Project, and no design is proposed, certain environmental effects would generally be expected from this type of project. Developing a perimeter screen for the existing 115 kV Potrero Switchyard would create impacts related to construction activity along Illinois Street between 22nd Street and 23rd Street. This could result in PG&E removing street trees along Illinois Street, creating temporary ground disturbance for the foundations or footings of the screening, and temporarily impacting parking conditions, traffic, air quality, and noise along Illinois Street during the work to install the switchyard screen. Alternatively, if the switchyard were to be enclosed within a new building, construction-phase impacts would be more intense than what would occur with building a screening wall. The primary long-term physical change to the environment would be to shield views of the existing open-air equipment and to reduce the industrial aesthetics of the existing streetscape. Overall, the City's goal is to improve the compatibility of the site with mixed uses.

1.74-6 Environmental Determination

The Initial Study was prepared to identify the potential environmental effects resulting from Proposed Project implementation, and to evaluate the level of significance of these effects. The Initial Study relies

on information in PG&E's PEA filed on December 11, 2012 (Application No. A.12-12-004), project site reconnaissance by the CPUC environmental team between January and March 2013, CPUC data requests, and other environmental analyses.

PG&E's PEA identified measures to address potentially significant environmental impacts — the Applicant Proposed Measures (APMs) — and these APMs are considered to be part of the description of the Proposed Project. Based on the Initial Study analysis, additional mitigation measures are identified for adoption to ensure that impacts of the Proposed Project would be less than significant. The additional mitigation measures either supplement, or supersede the APMs. PG&E has agreed to implement all of the additional recommended mitigation measures as part of the Proposed Project.

Implementation of the mitigation measures listed here and presented fully in the Initial Study would avoid potentially significant impacts identified or reduce them to less than significant levels.

Mitigation Measure for Construction-Phase Air Quality

MM A-1 **Achieve minimum emission standards.** This measure incorporates and supplements portions of APM AQ-2, Minimize Construction Exhaust Emissions. PG&E shall maintain all construction equipment properly in accordance with manufacturer's specifications, and ensure that equipment is checked by a certified visible emissions evaluator. All off-road construction diesel engines not registered under the CARB Statewide Portable Equipment Registration Program shall meet at a minimum the Tier 2 California Emission Standards for Off-Road Compression-Ignition Engines as specified in California Code of Regulations (CCR) Title 13, Chapter 9, Sec. 2423(b)(1). All marine commercial harbor craft, except gasoline-powered small craft, shall meet at a minimum the Tier 2 Marine Engine Emission Standards (CCR Title 17, Sec. 93118.5).

Mitigation Measures for Special-Status Species

MM B-1 **Implement an Invasive Marine Species Control Plan.** PG&E shall develop and implement an Invasive Marine Species Control Plan prior to any in-water work. The plan shall include measures designed to effectively limit the introduction and spread of invasive marine species. PG&E shall submit this plan to the CPUC for approval at least 60 days before the start of marine activities. Vessels originating outside San Francisco Bay shall follow existing compliance measures established by the California State Lands Commission as part of the Marine Invasive Species Program, relating to hull fouling and ballast water control. In addition, if used outside the San Francisco Bay area prior to use on this project, the hydroplow and associated equipment shall be examined and any invasive species handled and disposed of according to the developed plan. Similarly, if the equipment is to be used outside the San Francisco Bay after this use, the equipment shall be examined and cleaned prior to leaving the area.

PG&E shall coordinate plan preparation with the CPUC, U.S. Coast Guard, U.S. Army Corps of Engineers, National Marine Fisheries Service [NMFS], Regional Water Quality Control Board, and California Department of Fish and Wildlife [CDFW] as appropriate. The plan shall include: environmental training for all crew members working in marine areas addressing invasive marine species and actions to be taken to prevent release and spread of invasive marine species. Training shall include procedures for safe removal and disposal of any invasive species found on project equipment. Before and after boats and equipment leave the water, a qualified biologist (approved by the CPUC) shall assist

ment of fish species, especially longfin smelt. Additional requirements to minimize or prevent entrainment and impingement are also required to supplement APM BIO-6:

- The mesh screen or screening device shall comply with applicable state (CDFW) and federal (NMFS) criteria for screening intakes such as those found in NMFS's 1996 *Juvenile Fish Screen Criteria for Pump Intakes* and CDFW's *Fish Screening Criteria* (http://www.dfg.ca.gov/fish/Resources/Projects/Engin_ScreenCriteria.asp) or as required in coordination with by NMFS and CDFW.

Monitoring. A qualified biologist (approved by CPUC) shall verify that the screens are in place at the beginning of each hydroplow work period and examine them for impinged longfin smelt or other fish species at the end of each work period, or whenever the screens are cleaned or the hydroplow is raised out of the water during the cable laying. Injury or mortality shall be reported to CPUC within two working days, with a discussion of actions taken to prevent or minimize any additional longfin smelt injury or mortality or as otherwise determined with CDFW and NMFS. Any injury or mortality of longfin smelt shall also be reported as determined in permitting discussions with CDFW and NMFS.

MM B-4

Avoid impacts to nesting birds. This measure supersedes APM BIO-2. If onshore construction activities occur during the avian nesting season, a preconstruction survey for nesting birds shall be conducted by a qualified wildlife biologist (PG&E employees or contractors, approved by the CPUC) within 7 days prior to the start of noise-generating construction or vegetation trimming or removal activities in any new work area. Surveys shall cover all public areas within 50 feet of work sites. For San Francisco County, the avian nesting season regularly occurs between February 15 and August 31, but a survey may be appropriate earlier or later depending on species, location, and weather conditions as determined by the qualified wildlife biologist.

Work areas that cause no appreciable increase in ambient noise, such as where work is performed manually, by hand, or on foot and activities that cause no observable disturbances to nesting birds (e.g., operating switches, driving on access roads, normally occurring activities at substations, staging or laydown areas) would not warrant a preconstruction survey.

Protective measures for birds. If an active bird nest for a species covered by the Migratory Bird Treaty Act or California Fish and Game Code is found within 50 feet of project work areas, the qualified biologist shall determine appropriate protective measures to reduce the likelihood of nest failure. Protective measures for active nests shall include one or more of the following: avoiding or limiting certain project-related activities within a designated buffer zone surrounding the nest, shielding of the nest from project disturbance using a temporary soundwall or visual screen, or other shielding method as appropriate. The width of the buffer zone (in which work may not occur) shall be based on the disturbance tolerance and conservation status of the species, and the nature of planned construction activities and other human activities in the immediate area. Buffer zones of less than 50 feet shall be allowed only when planned construction activities involve relatively low disturbance or birds have demonstrated tolerance of noise and disturbance. Buffers shall not apply to construction-related vehicle or pedestrian traffic using city streets and sidewalks. As appropriate, exclusion techniques may be used for any construction equipment that is left unattended for more than 24 hours to reduce the

possibility of birds nesting in the construction equipment. An example exclusion technique is covering equipment with tarps.

Bird species found building nests within the work areas after specific project activities begin may be assumed tolerant of that specific project activity; the CPUC approved, qualified biologist shall implement an appropriate buffer or other appropriate measures to protect such nests, after taking into consideration the position of the nest, the bird species nesting on site, the type of work to be conducted, and duration of the construction disturbance.

Protective measures for special-status birds. If an active nest for a special-status bird is found, PG&E shall record the position of the nest in the monitoring report and notify the CPUC through the reporting process outlined below. The qualified biologist shall implement buffers and set other protective measures (described above), as appropriate, to protect special-status nesting birds from construction activities in consultation with CPUC, and as appropriate the California Department of Fish and Wildlife (CDFW) and/or United States Fish and Wildlife Service (USFWS). Buffer zones of less than 50 feet shall be allowed only when planned construction activities involve relatively low disturbance or birds have demonstrated tolerance of noise and disturbance. Requests for buffers of less than 50 feet for special-status nesting birds must be submitted to the CPUC's independent biologist(s) for review. The CPUC's independent biologist shall respond to PG&E's request for a buffer reduction (and buffer reduction terms) within one business day; if a response is not received, PG&E can proceed with the buffer reduction. If nesting birds in the presence of the CPUC-approved qualified biologist show signs of intolerance to construction activities within a reduced buffer zone, the qualified biologist shall reinstate the recommended buffer. The recommended buffer may only be reduced again following the same process, as identified above, and after the CPUC-approved, qualified biologist has determined that the nesting birds are no longer exhibiting signs of intolerance to construction activities. Nests shall be monitored daily by the qualified biologist when construction is active at that location. Any potentially significant construction-related disturbance shall be reported to CPUC, CDFW, and USFWS.

Monitoring. Active nests shall be monitored at least once daily during construction until nestlings have fledged and dispersed or until nest failure has been documented. Daily nest checks shall be at least 30 minutes or more as determined by the qualified biologist based on the type of construction activity (duration, equipment being used, potential for construction-related disturbance) and other factors related to assessment of nest disturbance (weather variations, pair behavior, nest stage, nest type, species, etc.).

The qualified biologist shall record the construction activity occurring at the time of the nest check and note any work exclusion buffer in effect at the time of the nest check. The qualified biologist shall record any sign of disturbance to the active nest, including but not limited to parental alarm calls, agitated behavior, distraction displays, nest fleeing and returning, chicks falling out of the nest or chicks or eggs being predated as a result of parental abandonment of the nest. If the qualified biologist determines that project activities are contributing to nest disturbance, they shall notify CPUC (and CDFW/USFWS as appropriate in the case of special-status bird nests) and coordinate with the Construction Manager to limit the duration or location of work, and/or increase appropriate protective measures (as described above).

Reporting. If there are active nests present within 50 feet of the project area during construction, a weekly written report shall be submitted to CPUC. A final report shall be submitted to CPUC at the end of each nesting season summarizing all nest monitoring results and nest outcomes for the duration of project construction. No avian reporting shall be required for construction occurring outside of the nesting season and if construction activities do not occur within a reduced buffer during any calendar month. Nests located in areas of existing human presence and disturbance, such as in yards of private residences, or within commercial and or industrial properties are likely acclimated to disturbance and may not need to be monitored, as determined by the CPUC-approved, qualified biologist and approved by the CPUC's independent biologist.

Permits. Prior to the start of construction, PG&E may obtain a permit authorized by Section 3503 and/or Section 3503.5 of the California Fish and Game Code, or by any regulation adopted pursuant thereto, pertaining to nesting birds. If PG&E obtains such a permit under the above authorities, where that permit conflicts with the measures outlined above, the conditions of the permit shall govern.

Mitigation Measure for Preservation of Unanticipated Discoveries

MM C-1 **Unanticipated discoveries of cultural deposits.** This mitigation supersedes APM CUL-4. In the event that previously unidentified archaeological, cultural, or historical sites, artifacts, or features are uncovered during implementation of the project, work will be suspended within 100 feet (30 meters) of the find and redirected to another location. The CPUC-approved cultural resources specialist shall be contacted immediately to examine the discovery and determine if further investigation is needed. If the discovery can be avoided or protected and no further impacts will occur, the resource will be documented on California Department of Parks and Recreation 523 forms and no further effort will be required.

If the resource cannot be avoided and may be subject to further impact, the CPUC-approved cultural resource specialist/archaeologist shall evaluate the resource and determine whether it is: (1) eligible for the CRHR (and thus a historical resource for purposes of CEQA); or (2) a unique archaeological resource as defined by CEQA. If the resource is determined to be neither a unique archaeological nor an historical resource, work may commence in the area. If the resource meets the criteria for either an historical or unique archaeological resource, or both, work shall remain halted, and the cultural resources specialist/archaeologist shall consult with CPUC staff regarding methods to ensure that no substantial adverse change would occur to the significance of the resource pursuant to CEQA Guidelines Section 15064.5(b).

Preservation in place, i.e., avoidance, is the preferred method of mitigation for impacts to historical or unique archaeological resources. Alternative methods of treatment that may be demonstrated ~~by~~ to the CPUC to be effective include evaluation, collection, recordation, and analysis of any significant cultural materials in accordance with a Cultural Resources Management Plan prepared by the CPUC approved qualified cultural resource specialist/archaeologist. The methods and results of evaluation or data recovery work at an archaeological find shall be documented in a professional level technical report to be filed with CHRIS. Work may commence upon completion of treatment, as approved by the CPUC.

Mitigation Measure to Avoid Known and Potential Cultural Resources

MM C-2 **Avoid known and potential shipwreck locations.** This measure incorporates and supplements portions of APM CUL-2, Resource Avoidance. During installation of the submarine cable, PG&E and its contractors shall map the as-built alignment of the cable in relation to known cultural resources, and the contractors shall ensure that the cable passes at least 100 feet to the west of the known shipwreck located in the northeastern portion of the marine geophysical survey area and mapped on NOAA Chart no.18650. In addition, prior to the installation of the cable, PG&E and its contractors shall map a 50 foot buffer around the magnetic anomaly identified by OSI as anomaly no. M63 in the southern half of the marine geophysical survey area and located at 6019099E, 2106491N, as the anomaly may result from the remains of a shipwreck buried beneath the bay floor in that location. PG&E and its contractors shall ensure that no sediment disturbing excavation or hydroplowing is conducted within the 50 foot buffer zone. If the project cannot be routed around the anomaly, additional evaluation and mitigation as detailed in Mitigation Measure C-1, for unanticipated discoveries, and detailed in the Unanticipated Discoveries Plan may be necessary prior to excavation.

Mitigation Measure for Underground Transmission Line Construction Noise

MM N-1 **Implement General Noise Control Measures.** PG&E shall implement the following general noise control measures in addition to APMs NO-1 to NO-7, with APMs NO-2 and NO-3 superseded:

- PG&E and contractors shall use equipment that incorporates noise-control elements into the design.
- PG&E and contractors shall ensure equipment exhaust stacks and vents are directed away from buildings.
- Where use of pneumatic tools, such as impact tools (e.g., jack hammers and pavement breakers), is unavoidable, a noise source screen such as a barrier around the activity using the tools, an external noise jacket, or an exhaust muffler on the compressed air exhaust shall be used and shall be designed to reduce noise levels from the source by 10 dBA.
- PG&E shall include noise control requirements in specifications provided to construction contractors. Such contract specifications would include, but not be limited to, performing all work in a manner that minimizes noise; use of equipment with effective mufflers; undertaking the most noisy activities during times of least disturbance to surrounding residents, day care operations, and commercial uses; and using haul routes that avoid residential buildings inasmuch as such routes are otherwise safely available.
- PG&E shall respond to and track complaints pertaining to construction noise. PG&E shall provide a complaint hotline phone number that shall be answered at all times during construction and designate an on-site construction complaint and enforcement manager for the project. The noise complaint and response process shall be described in the residential notifications required under APM NO-5 and posted publicly near work areas that are within 300 feet of residential buildings or day care operations.

Mitigation Measure for 24-Hour HDD Noise

MM N-2 **Obtain Special Permit for Nighttime HDD Noise.** This mitigation measure is to supplement and ensure enforceability of APM NO-6 for noise sources at the Embarcadero HDD Transition Area.

- PG&E shall apply to the San Francisco Director of Public Works and obtain a special permit for nighttime or 24-hour activity at the Embarcadero HDD Transition Area, consistent with Section 2908 of the Police Code. Prior to commencing construction of the HDD, PG&E shall provide to the CPUC a copy of the special permit or evidence that no permit is required by San Francisco.
- PG&E shall provide to the CPUC at least 7 days prior to commencing construction of the Embarcadero HDD Transition Area the results of actual ambient hourly (Leq) noise measurements for each hour between 8:00 p.m. to 7:00 a.m. at the edge of the nearest private property containing residential use obtained from monitored noise levels as specified in APM NO-6.
- PG&E and contractors conducting nighttime work at the Embarcadero HDD Transition Area, between 8:00 p.m. to 7:00 a.m., shall implement noise attenuation features, including acoustical barriers, blankets and enclosures as identified in APM NO-6, to achieve no more than 5 dBA above existing local ambient noise levels at the edge of the nearest private property containing residential use, based on 1-hour Leq.
- PG&E shall provide a report to the CPUC regarding actions taken to reduce the duration or level of noise within 48 hours of monitoring noise levels found to be in excess of the ambient noise level by 5 dBA, at the edge of the nearest private property containing residential use, based on 1-hour Leq.

Mitigation Measure for Accidental Utility Service Disruptions

MM UT-1 **Protect underground utilities.** Prior to commencing construction of the underground transmission line, PG&E shall submit to the CPUC written documentation of the following:

- Construction plans designed to protect existing utilities, showing the dimensions and location of the finalized alignment as well as the corrosion and induced currents study;
- Records that the Applicant provided the plans to the City and County of San Francisco for review, revision and final approval;
- Construction plans approved by the City and County of San Francisco detailing the steps taken to prevent damage to two large SFPUC storm sewers, including but not limited to an appropriate shoring plan, work zone restrictions, and setbacks for the adjacent structures, at the following locations: (1) in the intersection of Spear and Folsom; and (2) at the end of the route as it turns to enter Embarcadero Substation;
- Evidence of coordination with all utility owners within the approved right-of-way, including their review of construction plans, results of the induced current and corrosion potential analysis, and a description of any protection measures or compensation to be implemented to protect affected facilities;
- Copy of the Applicant's database of emergency contacts for utilities that may be in close proximity or require monitoring during construction of the project;

- Evidence that the project meets all applicable local requirements;
- Evidence of compliance with design standards; and
- Copies of any necessary permits, agreements, or conditions of approval.

Based on the analysis and conclusions of the Initial Study, the impacts of the project as proposed by PG&E would be mitigated to less than significant levels with the implementation of the mitigation measures presented herein, which have been incorporated into the Proposed Project.

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Exhibit F:
Hoedown Yard Appraisal Process and Valuation of Submerged Land

Hoedown Yard Appraisals

As described in the September 6, 2013 Port Commission staff report, Port staff commissioned an appraisal through the Department of Real Estate's ("DRE") as-needed appraiser pool to calculate the value of the license area and to calculate the value of the Hoedown Yard (discussed below). The City selected Associated Right of Way Services, Inc. to conduct the appraisal, and PG&E concurred with the selection. This appraisal indicated industrial land values that exceeded the expectations of both Port and PG&E staff. PG&E requested the Port's authorization to conduct a second appraisal, which Port staff granted, and PG&E conducted its own appraisal, subject to appraisal instructions approved by the Port, utilizing David Tattersol & Associates, an appraiser also listed in DRE's as-needed pool.

In both instances, appraisal instructions were to determine:

- (a) the fee simple value of the Site assuming raw clean undeveloped land subject only to current zoning (M-2), i.e., market value; and
- (b) the fee simple value of the Site "AS-IS" with all faults using assumptions as to the cost of compliance with the Site Management Plan and any other documents provided ... that affect value.

The conclusions of these appraisals were presented in a November 23, 2012 final appraisal report by Associated Right of Way Services, Inc. and a February 13, 2013 final appraisal report by David Tattersol & Associates, done in compliance with Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP). The average of the land value indicated by these two appraisals is \$68.50 per square foot which affects both the submerged license area and the Hoedown Yard.

Valuation of Submerged Land

The approach to establishing rent for the submerged license area is based on industrial upland values. The process for valuing the Hoedown Yard requires the same analysis. City staff and PG&E representatives therefore agreed to use a single appraisal (using the same set of comparable land values of \$68.50 psf) for purposes of valuing both the submerged license area and the Hoedown Yard.

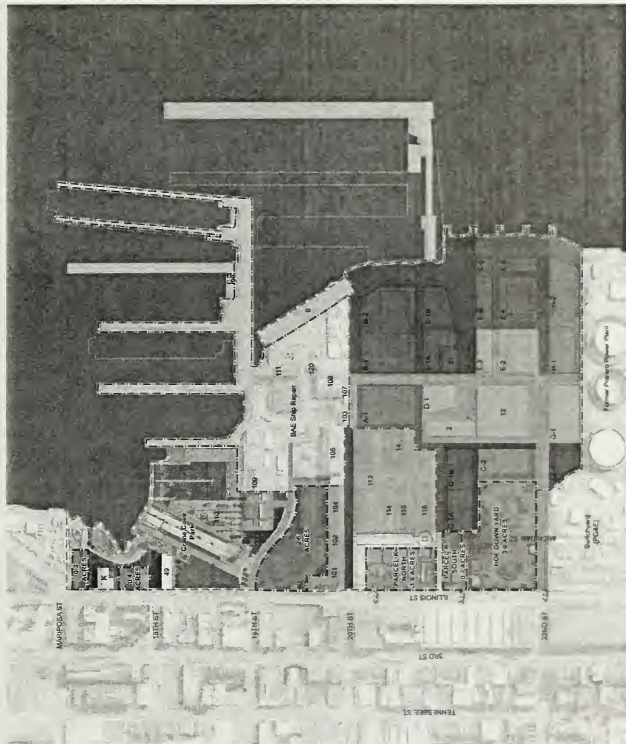
In establishing rent for the proposed license area, most of which is submerged land, Port staff and PG&E agreed on the following formulas:

- Exclusive use areas: $50\% \text{ industrial upland value } (\$68.50 \text{ psf}) \times 8\% \text{ capitalization rate}$

- Compatible (non-exclusive) use areas: 25% industrial upland value (\$68.50 psf) x 8% capitalization rate
- Upland underground areas: \$0.031562/sf, based on the rate for like property in the Hunters Point-Potrero license area
- A two year construction period rent for the same areas, reduced by 75%

The parties agreed to a prepaid rent structure for the initial forty (40) year term of the agreement utilizing a 6.5% discount rate, which is the current estimated blended average of the Port's costs of funds.

Exhibit G: Pier 70 Conceptual Land Use Plan, Including the Hoedown Yard



LEGEND

PIER 70 AREA

WATERFRONT SITE

ILLINOIS STREET SITES

BAE SITE

PILE SUPPORTED PIER

PRESENTLY SUBMERGED

WATERFRONT SITE

PHASE 1

PHASE 2

PHASE 3

PHASE 4

ILLINOIS ST PARCELS

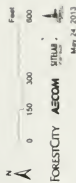
ORTON/20TH ST. HISTORIC CORE

PHASE 1

TO BE DETERMINED

PHASING PLAN

PIER 70 MASTERPLAN
ILLINOIS PARCELS INITIAL STUDY



**Exhibit H:
Environmental Risk Management Measures**

The Hoedown Yard Option Agreement and form of Purchase and Sale Agreement will require the following approach to remedial action and environmental risk management.

Pacific Gas and Electric Company (PG&E) agrees to allow the City and County of San Francisco (City) or a subsequent third-party owner of the Hoedown Yard to seek San Francisco Bay Regional Water Quality Control Board (Water Board) approval to amend the Covenant and Environmental Restriction on Property currently encumbering the Hoedown Yard (Land Use Covenant). The purchaser will be required periodically to certify to PG&E and the City regarding compliance with the following requirements and any other requirements the Water Board imposes as conditions to amending the existing Land Use Covenant. Each certificate must be supported by the written report of an independent third-party onsite construction monitor.

The City and PG&E (parties) acknowledge that PG&E's past testing of conditions at the Hoedown Yard has characterized the site to the satisfaction of the Water Board, which the parties agree is adequate for its current use. PG&E agrees not to conduct further testing of the Hoedown Yard unless required by an order of a regulatory agency.

PG&E agrees not to impose its own land use covenant restricting future uses of the Hoedown Yard. If a potential purchaser or future owner, through site investigation, discovers new conditions, the party making the discovery will be required to disclose to PG&E, the City, and the Water Board and any other regulatory agency with jurisdiction for the agency's direction on whether further investigation, remediation, monitoring, or other measures will be imposed by order or through amendments to the Land Use Covenant. PG&E, the City, and the potential purchaser or future owner will have the right to submit comments to the Water Board for consideration in its deliberations.

The City will require any purchaser of the Hoedown Yard to indemnify and hold harmless PG&E from liability, including liability for personal injury, property damage, or further cleanup, during and after the construction of any new uses on the Hoedown Yard. The purchaser's indemnification obligation to PG&E must be secured by a letter of credit in the amount of \$1 million for a period of three years, beginning on the date a certificate of occupancy is first issued for any new building at the Hoedown Yard.

Authorized Land Uses and Remedial Actions

Category	Possible New Uses	Remediation
1	High-density residential; temporary lodging; enclosed recreational, commercial, institutional.	Install and maintain Durable Cover . Implement Institutional Controls
2	Public open space covered by hardscape.	Same as above

3	Public open space covered by "softscape," including landscaping.	Install and maintain 3-foot layer of Clean Soil underlain by a Demarcation Layer between native soil and ground surface. The Clean Soil layer will cover landscaped areas, including raised landscaping planters, and line tree pits. The thickness of Clean Soil layer will be increased if needed to include root bearing zones and below-grade irrigation systems.
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Acceptable forms of Durable Cover:

- All forms of Durable Cover must meet applicable standards of the San Francisco Public Works Code, the Port Building Code, and any other applicable rules or regulations
- Buildings and building foundations.
- Streets and sidewalks.
- Hardscapes, parking areas, pathways or similar areas paved with concrete, asphalt, stone, or other material of sufficient durability to withstand usage and prevent exposure of native soil. Cover for pedestrian paths must include at least a 4-inch thick layer of aggregate base beneath at least a 2-inch layer of asphalt, concrete, stone, or crushed or decomposed stone paving. Paving stones with interstitial exposed native soil will be subject to requirements for softscape.
- Demarcation Layer must provide a visual indicator that distinguishes Clean Soil above the Demarcation Layer from underlying native soil. The Demarcation Layer will serve as a visual and physical deterrent to further excavation. It need not be impermeable to vapor or water, but must be resistant to penetration by hand tools.

Land Use Controls:

1. School, daycare, and hospital uses will be prohibited.
2. Private open space at grade will be prohibited; private roof top, balcony, or similar open space will be permitted.
3. Except as specified in this document, any permitted uses will be permitted on the ground floor as well as above ground floor.
4. Use of groundwater for any purpose other than dewatering will be prohibited.
5. Growing plants for human consumption in native soil will be prohibited.
6. Removal of identified areas of arsenic-impacted soil to achieve site-specific background concentration of arsenic as defined and summarized in *Report of Results – Additional Soil Investigation, Hoe Down Yard* (AMEC, 4/12/11).

Disclosure:

- Property owner/operator will notify all tenants and contractors of site conditions and required Institutional Controls and require notification of subtenants and subcontractors.

- Property owner/operator will disclose environmental conditions and Institutional Controls to residents.

Institutional Controls:

Property owner/operator will implement Institutional Controls including:

- Controlled access prior to and during construction.
- Environmental health and safety plans for construction and maintenance workers.
- Dust control during construction and maintenance.
- Stormwater pollution prevention during construction.
- Regular inspection, maintenance, and repair of Durable Covers
- Implementation of a Water Board-approved revised Risk Management Plan.
- The purchaser will be required to implement or participate in a funding mechanism that provides sufficient funds for maintenance and capital repair of public use areas in accordance with the Risk Management Plan for the life of the public use areas.

Definitions

"Native" or "existing soil" means soil present at the site, regardless of its provenance, as of the date PG&E transfers title to the Hoedown Yard as contemplated by the Option Agreement.

"Clean Soil" means soil that will be used on site in a manner that presents potential for exposure to future site users, such as soil used to create the 3-foot thick layer of Clean Soil required for landscaped areas. Clean Soil must meet the prevailing standards (i.e., Environmental Screening Levels (as defined by the Water Board and published at http://www.waterboards.ca.gov/sanfranciscobay/water_issues/programs/esl.shtml) or California Screening Levels (as defined by Cal/EPA and published at <http://oehha.ca.gov/risk/soil.html>) or Water Board-approved site-specific background levels applicable to the current or planned land use (i.e., less than or equal to commercial standards for commercial site use, and less than or equal to residential standards for residential site use). Imported soil that will be placed under one of the acceptable forms of Durable Cover does not have to meet standards for Clean Soil.



SAN FRANCISCO PORT COMMISSION

**JUNE 10, 2014
MINUTES OF THE MEETING**

**MEMBERS, PORT COMMISSION
HON. LESLIE KATZ, PRESIDENT
HON. WILLIE ADAMS, VICE PRESIDENT
HON. KIMBERLY BRANDON
HON. MEL MURPHY
HON. DOREEN WOO HO**

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**MONIQUE MOYER, EXECUTIVE DIRECTOR
AMY QUESADA, COMMISSION SECRETARY**

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING JUNE 10, 2014

1. CALL TO ORDER / ROLL CALL

Commission Vice President Willie Adams called the meeting to order at 2:05 p.m. The following Commissioners were present: Willie Adams, Kimberly Brandon and Doreen Woo Ho. Commissioners Leslie Katz and Mel Murphy were on vacation.

2. APPROVAL OF MINUTES – May 27, 2014

ACTION: Commissioner Brandon moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor. The minutes of the May 27, 2014 meeting were adopted.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

ACTION: Commissioner Brandon moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor.

At 2:06 p.m., the Commission withdrew to executive session to discuss the following:

(1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative:

- a. Property: Ferry Plaza Limited Partnership, a portion of the Ferry Plaza located at the Embarcadero and Market Street

Person Negotiating: Port: Susan Reynolds, Deputy Director, Real Estate; Mark Lozovoy, Deputy Director of Real Estate

*Negotiating Parties: Alfred Tom, Ferry Plaza Limited Partnership

- b. Property: Pier 9 on The Embarcadero at the foot of Vallejo Street

Person Negotiating: Port: Peter Dailey, Deputy Director, Maritime

*Negotiating Parties: San Francisco Bar Pilots Benevolent and Protective Association: Captain Peter McIsaac, President

5. RECONVENE IN OPEN SESSION

At 3:20 p.m., the Commission withdrew from executive session and reconvened in public session.

ACTION: Commissioner Brandon moved approval to adjourn closed session and reconvene in open session; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon moved approval to not disclose anything discussed in closed session. Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS – The Port Commission Secretary announced the following:

- A. **Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting:** Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. **Announcement of Time Allotment for Public Comments:** Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

9. EXECUTIVE

A. Executive Director's Report

- **Bay Area Association of Disabled Sailors (BAADS) and Treasure Island Sailing Center Co-Able Sailing Summer Camp – June 16 to August 8, 2014**

Monique Moyer - Thank you Commissioner Adams for chairing our meeting today. Welcome to the public and to the Port staff, we thank you for being here with us today. I have quite a few number of items to report on today starting with the Bay Area Association of Disabled Sailors, also known as BAADS, and the Treasure Island Sailing Center are holding a summer camp, a really interesting inaugural summer camp for three one week sessions in the period from June 16 through August 8, 2014. This summer camp is called a Co-Able Sailing Summer Camp. The first of its kind in the Bay, which will allow disabled sailors and able bodied sailors to take camp lessons and sail

together and the type of vessels they are using allows for two students to sit side by side.

The goal is that the program will combine students with and without disabilities in a manner that will encourage and assist each of them to become independent sailors. It's an amazing idea and we're very proud of both BAADS and the Treasure Island Sailing Center for coming up with such a great program and offering it this summer. Week one will start on June 16th and run for the full week. Week two will start on June 30th and run through July 4th. Week three will start on August 4th and run for the full week and the ages are from seven to 18 years of age.

I look forward to reporting back to you on the success of the camp but we applaud them for the entrepreneurialism. They'll gather and be trained at Pier 40 and then learn their on-water instruction in McCovey Cove so keep an eye out for them.

- Results of June 3, 2014 Primary Election, Proposition B

During the June 3, 2013 election, Proposition B passed by a vote of 59%. Proposition B requires that any changes in height limits on Port property need to be approved by the voters of San Francisco. From the Port's perspective, the voters have spoken and we will adhere to that. I wanted to make sure you were aware of that.

- Fourth of July Festivities

Our annual July 4th festivities will include the very popular fireworks which will take place in the waters off of Fisherman's Wharf. The fireworks display will start at 9:30 PM. There will be a lot of events in the Fisherman's Wharf and Aquatic Park area leading up to the fireworks. As part of the Fourth of July management, the City will be opening its Emergency Operations Center and the Port will be participating in the staffing of that Center. We look forward to a happy Fourth of July with no labor strikes.

- San Francisco Opera at the Ballpark: La Traviata – July 5, 2014 at 8 p.m.

Next is another fun event which is a joint venture between the San Francisco Opera and the San Francisco Giants on Saturday, July 5, 2014 as part of the Fourth of July weekend. They will be offering a free viewing of the performance of Verdi's La Traviata which will be transmitted live in HD from the War Memorial Opera House. This event is free to anybody who would like to come and hang out at the ballpark either in the stands or down on the lawn. Enjoy all of the amenities the ballpark has to offer in the way of their concessions and you may do so all for free but it is a first come, first served basis. The tickets are available at sfopera.com. I encourage anybody that would like to partake of that event to go online and reserve your spot.

- Commendations for:
 - Susan Coss, CUESA's Director of Marketing and Public Relations
 - Christine Farren, CUESA's Director of Development,
 - Isaiah Howard Sr., Ferry Building's Security Director
 - Jerry Chiang, SFFD Rescue Squad One
 - Michael Rubin, SFFD Rescue Squad One

In the front row, we have a group of amazing people that came to the rescue recently of a young man. I'd like to introduce Susan Coss, Christine Farren, Isaiah Howard and Michael Rubin.

On the evening of June 4, 2014, Susan was beginning her evening commute home. Susan works here in the Ferry Building. She works for CUESA as the Director of Marketing and Public Relations and she boarded the ferry to Oakland at about 5:30-5:35. While she was on board, she heard a cry for help. She was diligent, and she kept listening and she determined that the cry for help was a voice coming from under the pier at Gate E next to Sinbad's restaurant. Susan tried to alert the crew on board the ferry but they weren't able to assist. She very wisely and very quickly called on her cell phone back to Christine Farren who is CUESA's Director of Development also in the Ferry Building and alerted them that she was hearing a cry for help coming from the water.

Christine Farren and Isaiah Howard who is the Ferry Building Security Director went down to the Gate E area and tried to look for where this voice might be coming from. Isaiah crawled on his belly and was able to peer under the pier and spotted a young man clinging to the piles. They immediately called 911 and the San Francisco Fire Department responded and they were able to make a voice connection by land with the young man under the Pier. Ultimately two of the firefighters went into the water to rescue him. One of them is Michael Rubin.

On behalf of all of us at the Port, I want to commend all of you for your incredible action and responses and really not for looking the other way which happens a lot these days. Susan, without your alertness and intuition and immediate action, it's not clear what might have come of that young man. The wherewithal that you have to believe that you were hearing something real and follow through on that probably saved his life. Christine and Isaiah, obviously you make great detectives. The fact that you dropped everything to go see and looked hard, didn't give up when you didn't see him right away, is really meaningful as well.

Of course, I don't think many of us in this room relish the idea of going into the Bay so we're always indebted to those of you who do it willingly. Our deepest thanks to our colleagues at the San Francisco Fire Department, Jerry Chiang and Michael Rubin. Thank you very much, from the bottom of our hearts.

Commissioner Adams - We want to thank you for your heroism and on behalf of the Port of San Francisco, we have a token of our appreciation to thank you for your hard work and your due diligence in looking out. The first one will be for Susan Coss. We have Christine Farren, Isaiah Howard Sr., Jerry Chiang and Michael Rubin.

Monique Moyer - Commissioner Adams will come around and present you with the plaque and Renée will take your picture.

Commissioner Adams - Susan Coss, Director of Marketing and Public Relations, CUESA, in recognition of your heroic action on June 4, 2014 in saving a man's life, the Port of San Francisco, June 10, 2014.

Commissioner Brandon - They all say the same thing so thank you very much.

Monique Moyer - Michael, will you take Jerry's back with you? He's not able to join us today.

Susan Coss - Thank you very much for this honor. It feels odd to me because I don't feel like I did anything that any human being wouldn't do when they think they hear somebody yelling for help. Thank you but I think that is what we should all do. I'm happy the man is alive and that everybody responded and I'm proud and blessed to work with the amazing people that I do. Thank you for this honor.

Commissioner Adams - Thank you Susan.

Christine Farren - And I just wanted to echo that the Ferry Building's a really special community and as Susan said, anyone in that position would've realized that we needed to take action. I've worked here in the building for 11 years and there's a rich pageant of life behind the Ferry Plaza and in the Farmer's Market and to me it was just a testimony to a really great group of people who care about this building. I realize you guys deal with lots of contentious issues all the time, but at the heart of it we are San Franciscans, we are connected. This building is a great community and it just happened that a very positive thing came about from this. Thanks for the recognition.

Commissioner Adams - Thank you.

Isaiah Howard - To echo what my colleagues have said, it was basically a team effort, and not one person can be singularly honored. I appreciate everyone for coming through and working together and helping out and getting the fire department here as fast as we can and for everyone keeping an eye out and everything. I ask that everyone just keep their ears and eyes out open. That way these things can become resolved a little bit faster. Because we could've lost a life there. Thank you for this honor.

Monique Moyer - Thank you so much. It's really great to know that you all are here and paying attention and one of the things that I love most about the Port is the fact that we don't have to have fences everywhere like most Ports and airports do and we do allow people to get up close to the water. Unfortunately sometimes that doesn't go as we planned. Thank you for making sure that, particularly Susan, when you didn't get the response you were looking for the first time that you just kept trying and we're all the better for it. Thank you all for coming today and for your kind words.

- Incident at Fisherman's Wharf - June 6, 2014

Sadly Commissioners I have something else to report that occurred after the agenda was made public. As I'm sure you've seen in the media, we had a tragedy occur Friday, June 6, 2014 in Fisherman's Wharf. A family was visiting us from Utah. They were actually not staying in San Francisco, they were staying across the Bay and they had come to visit Fisherman's Wharf and were walking along the northwestern side of Jefferson Street which is private facilities but the sidewalk is part of the Port's jurisdiction.

The family has three children and the youngest boy was attracted to a statue that was placed in the doorway in the sidewalk of one of the vendors on Jefferson Street. Apparently he climbed it and the weight of his body caused it to topple over on him. I think the statue weighed about 300 pounds. His sister, who I believe is about six, tried to help prevent the accident but unfortunately she wasn't able to prevent it.

The passersby immediately called 911 and we had a group of officers dispatched out of Central Station. One of the first responders is Officer John Van Koll who came to the scene immediately and did a heroic effort in maintaining the ability of the paramedics to arrive at the scene, calming down the passersby and as you can imagine, these kinds of events create a lot of spectators so keeping the scene calm is really important.

The little boy was dispatched to San Francisco General Hospital. When he left Fisherman's Wharf he was believed to be in critical but stable condition. Sometime in the afternoon, Captain David Lazar who's the brand new Captain of Central Station decided that he would visit the family at San Francisco General Hospital. He went out to the hospital, went into the reception area and learned that the family had just left and he quickly went back out to the parking lot and was able to locate the family in their vehicle.

He approached the family and introduced himself just to check on the boy and see if there was anything he could offer and that's when the family advised him that the little boy had passed after several hours of surgery. As I mentioned, the family was staying over in Alameda. Captain Lazar immediately took it upon himself to arrange that they be able to stay in San Francisco. He was able to get them lodging at the JW Marriott up in Union

Square. The JW Marriott graciously donated two rooms to the family because one of the senior family members was also flying in.

Captain Lazar also took care of a number of their other needs and with the generosity of the Police Officers' Association, they were able to provide meals for the family and any other assistance that they needed. The family drove back home to Utah on Saturday so we haven't had communication with them since but they have established a Web site in memory of the little boy whose name is Kayson Shelton and are collecting donations to pay for his funeral and other costs.

It's a very, very disturbing turn of events. We, in property management, try to be very diligent about what is allowable on our sidewalk. It's a very difficult task is the easiest way to put it, whether it's on Jefferson Street or elsewhere, the sidewalk attracts a lot of people in all kinds of forms. Most of the time, that's really fun. On this particular day, it wasn't. We will continue to be vigilant. The merchant had been cited previously recently and was cited again for encroaching onto the sidewalk. We are prevailing upon our merchants to take precautions and to take our rules seriously and we hope that they will.

We are also very grateful to the San Francisco Police Department that responded and the paramedics that responded and to Captain Lazar who just showed incredible humanity to a family in need and the generosity of the Police Officers' Association. I'm pleased to report that today the Fisherman's Wharf Merchants Association donated \$500 to the Police Officers' Association so they can continue to help families in need.

For all of you who are listening and touched by this story, if you get a chance to thank one of your friendly police officers, I'm sure they would welcome it. Because as you heard today, our colleagues at Police and Fire go above and beyond every single day and they don't get knowledge or credit for it. We like to spend a lot of time on mistake and not so much time on all the good things that happen and I don't know where this family would have been without the Police Department to help them.

Commissioners, if I could, I'd like to recommend that you adjourn your meeting today in memory of Kayson Shelton and his parents Scott and Toni Shelton and his siblings.

B. Commissioners' Report

10. PLANNING AND DEVELOPMENT

- A. Request approval: (1) to accept a gift from the James R. Herman Committee known as the James R. Herman Tribute and associated installation costs, subject to Board of Supervisors' approval; and (2) of display of gift at the James R. Herman Cruise Terminal at Pier 27. (Resolution No. 14-39)

Kanya Dorland, Planning and Development division - I'm going to present the proposed James R. Herman Tribute and gift agreement for your consideration and approval. The new cruise terminal at Pier 27 is named after Port Commissioner James R. Herman to commemorate and describe Port Commissioner Herman's contributions to labor and the San Francisco waterfront.

The International Longshore and Warehouse Union (ILWU) Local 34 Waterfront Division, along with several other ILWU chapters and members have commissioned a piece of art to give to the Port as a permanent installation for the new James R. Herman cruise terminal at Pier 27.

Mr. James R. Herman was an advocate for maritime industries and job creation for San Franciscans. He was very active along the waterfront in Port and union business, working in a variety of warehouses and plants and involved in several bargaining and contract enforcement activities. James R. Herman began his career at the age of 17 going out to sea as a member of the National Union of Marine Cooks and Stewards. Commissioner Herman was appointed by Mayors Dianne Feinstein and Willie Brown and served as a Port Commissioner between 1982 and 1998.

Among many of Commissioner Herman's accomplishments outside of being a Commissioner, he was honored as Labor Man of the Year in 1973 by the Alameda County Central Labor Council. The ILWU along with other James R. Herman Tribute supporters have formed a James R. Herman Memorial Committee. To fundraise for this Tribute this committee has 5013C non-profit status and its members are listed on the screen now for you which include Congresswoman Nancy Pelosi.

This committee solicited Autodesk, an engineering design, entertainment software company to facilitate an art selection process for this Tribute. Floating Point Collective was selected through this process to create this Tribute. Floating Point Collective is an art and design collective based in Brooklyn, New York. They create large scale works that embrace new technologies. Autodesk has continued to work with Floating Point Collective to finalize the Tribute design.

The Tribute will be placed on the first floor of the new cruise terminal, the lobby in the front, which is referred to as Lobby East which is basically the first room closest to the Embarcadero. The Tribute is an interactive audio and visual installation that is integrated with the interior of the first floor lobby. It features an approximately 10 foot high by 15 foot wide wall mounted steel sculpture that references waves on the Bay through its finish and shape.

Placed within the steel wave sculpture is a touch screen monitor that allows visitors to scroll through images and biographical information about Commissioner Herman. The installation also features a directional sound system

that provides highlights from Commissioner Herman's speeches. For example, when a person interacts with the Tribute or is in close proximity, the ambient visual patterns on the sculpture will respond to their presence. The touch screen will prompt viewers to interact with it and various quotes from Commissioner Herman's speeches will appear on the sculpture.

This is what the Tribute will look like when no one's near it and then this is what the Tribute will look like when someone comes near it. It will animate. The Port, the James R. Herman Memorial Committee and Floating Point Collective have negotiated a gift agreement that provides the terms under which the Port can accept this unconditional Tribute gift. This gift agreement will give the Port the following Tribute authority. Firstly, full and complete ownership of the Tribute and absolute discretion over its use, display, placement, removal and disposition and secondly the approval of the content and any content changes.

This agreement also contains customary releases and waivers for the committee's and artist's rights to allow the Port unrestricted use of the Tribute as it sees fit for cruise terminal and special event operations. In order to accept this gift, there is a process. The Tribute gift has an estimated value of \$250,000. This includes the gift of installation and replacement parts for a 20 year period. As a gift with a value of over \$10,000, it is subject to acceptance by the Board of Supervisor's under the City's Administrative Code.

Given this requirement, I am seeking the Commission's acknowledgement of this gift and approval of the gift agreement that is attached to the staff report. With the Commission's acknowledgement of this Tribute gift, Port staff can present this gift to the Board of Supervisors. With Board of Supervisors approval of the gift, the Port Executive Director can accept this unconditional gift and enter into the mentioned Tribute agreement.

The next steps are presenting this to the Board of Sups and then the artist, the Floating Point Collective submits a building permit which they've started to and the Port can review and approve this building permit once the City accepts the gift and assuming an 85 day installation and fabrication period, we can expect to have this Tribute inside of the new cruise terminal by this October.

In the audience today is the Chair of the James R. Herman Memorial Committee, Sean Farley, and Floating Point Collective as well as Autodesk to answer any questions about the Tribute. Sean Farley would like to make some remarks now about James R. Herman.

Sean Farley - I wanted to add that Jimmy was President of Local 34 from 1963 to 1977 and then was the International President from 1977 to 1991. I would like give you a sense of how this committee came together. This committee is a cross section of everybody who's a San Franciscan. It's a cross section of everybody who was supported and mentored and taken care of by Jimmy Herman, a man who was amazing.

As you look at the list of people that are on that committee, there are a ton of people and every one of them when you sit down and you have a committee meeting, I mean people talk about Jimmy and some people are close to tears when they talk about him and his legacy.

We thank the Port Commission and the staff for the ability to do this Tribute. Ultimately, we came together and we had the assistance of Autodesk and I want to make sure that people understand that this Tribute would not have been possible without their assistance. They helped us find our artist. They helped us through communicating what our design and wants were directly to the artist and set up all of our initial meetings.

We had roughly five different artists who came in with a broad base of different projects and we had a very clear mandate that we wanted one to reflect what Jimmy was about, his values, his history, his legacy, the social justice movement that he participated in and his time here as a Port Commissioner, all the facets of who he was in his life. With that very large grocery list, we also had to take in concept with what Pier 27 is, a cutting edge facility, one that's going to be a world class facility. When you walk into the facility, a Tribute that is commensurate with that facility and we think we've done that very well.

Most important thing, I want to give credit to Floating Point. Usually in the ILWU and in our different committee meetings, there are discussions and arguments and rarely everything comes out with 100% consensus. We picked Floating Point with 100% consensus with virtually no debate. That's how strongly we felt about them as artists and not only artists but people and the artwork they created for us.

The last point I'd like to make as Kanya alluded to, it will take approximately 90 days for the completion of this. During all this time we'll be doing additional fundraising to support this project. We thank you for the opportunity and ask for your support in a vote.

Commissioner Woo Ho – It's very moving to hear about this Tribute and obviously we've known that this cruise ship terminal was going to be named after him for some time, but it seems like it's been a continuing celebration about Jimmy Herman and what he represented for the City of San Francisco and what he did for the waterfront and obviously the union movement here in San Francisco.

We're very pleased and honored to be able to see that a Tribute of this nature will keep his memory alive. The nice part about understanding this Tribute is that it's a very dynamic Tribute so it's not just a bust or a statue where you just look at it. It's going to be very much of the digital age and of all the people that walk through the terminal it will be very much current and what today's generations of young people and of the future can play with and that's very exciting to hear.

We're very supportive and very pleased that we have this opportunity and thank all the parties that have been involved, Autodesk and others that have contributed to make this happen in addition to what you all have done on the Committee. Thank you.

Commissioner Brandon - I too want to thank Sean Farley and the committee, Autodesk and Floating Point for giving the Port this wonderful gift. Jimmy Herman was such a phenomenal person and did so much for the nation, the City and the Port. This is such a wonderful gift and it's so nice to be able to accept this gift. We love gifts here at the Port. I want to thank you again and I can't wait to see it. I'm really excited about this, thank you. I did have one question and that is, what happens after 20 years?

Sean Farley - The term of the gift agreement is for 20 years. After that period if there was a need to do something different, we would be coming back again to address that period afterwards but once the gift is given, it belongs to the Port. Our goal long-term is to make sure it stays relevant and make it up to date constantly. If in 20 years, you guys will be going, "Wow, we still love this." We needed a term to look at a useful life of all the components. That's what the term is. It's about the useful life of the components and addressing that piece.

Commissioner Brandon - Okay, thank you.

Kanya Dorland - Once the gift is given to us, the Port can do what it wants to it. It can turn off the sound when there are cruise ship visitors in or have the components feature differently, but for the life of it, the Port can do what it wants because it's an unconditional gift.

Commissioner Brandon - So it has a 20 year lifespan. I'm wondering after 20 years, will the Port be responsible for the upkeep and will we continue to make it relevant.

Kanya Dorland - The way we've written the gift agreement, no one is responsible for maintaining it. The Port isn't obligated to maintain it in the state that it's given but the committee has formed a 501C3 and they are very active as Sean Farley just stated. They're going to continue to fundraise to keep it up to date and to keep it current.

Commissioner Brandon - Great, thank you.

Commissioner Adams - I am very proud of the committee for all their hard work. Jimmy Herman was a true working class hero. He wasn't a bureaucrat. Jimmy had a third grade education. He grew up in the streets of Newark, New Jersey. Jimmy went to sea as a young man. He was a cook on the ships. It's amazing that Jimmy, even with a third grade education used to lecture at Stanford to those intellectuals and those college kids. He taught them what common sense was. He taught them what social justice was. He taught them about

responsibility but also he taught them the art of, "You can be whatever you want to be."

Also his work with Delancey Street, with the two Burton brothers, Jimmy was very instrumental in that. Jimmy marched with Cesar Chavez. Jimmy Herman's started the careers of Dianne Feinstein, Nancy Pelosi and Willie Brown. If Jimmy was alive, his accomplishments are so much; he wouldn't want any recognition because Jimmy always didn't. He was the type of guy, even when he died he left his townhouse to a person, he just donated because he was the type of person that didn't believe much in money.

Jimmy was the type of person who believes in your mark is what you leave behind, how many people you helped in your life. Jimmy Herman was like the Maya Angelou for the waterfront. He looked inside himself and tried to make everybody around him better. Even with Delancey Street when it was over by Cathedral Hill in Pacific Heights, the people in that area didn't want Delancey Street there. Jimmy was the President of the Commission and he and the Burtons and Leroy King were able to get Delancey Street where it's at today.

Jimmy had that kind of a social conscious. He goes, "If we're not wanted up there with the upper crust, we'll go where we're at." He had the foresight to say, "Men and women coming out of prison, nobody should be prejudged." Jimmy said, "Everybody in life deserves a second chance." Jimmy felt that even within our union, we had a time where drugs and alcohol were very rampant. Jimmy stepped out and said, "Just because a person's an alcoholic or a drug addict, they deserve a second chance in life."

He set that program up with the shipping companies so people could go and get help. Today we have one of the largest programs of recovering alcoholics and drug addicts in our union that are clean and sober for 20-30 years because Jimmy Herman said, "Hey, give the average person a break. Let the little guy, give him a chance because they've got a family to feed, they've got kids." Jimmy was a guy that was for the little guy so I am really happy and supportive of this. I want to say a very special thank you to the committee but also to Director Moyer.

This thing got off track more than once; this cruise, this thing even coming to fruition. Thirty years ago I never thought we'd even have a world class cruise terminal and it's here now. Anything worth having in life, you're going to have your ups and downs, it gets off-track but everybody stayed the course. Veronica Sanchez, Art Agnos, there were a lot of people that were involved. Peter Dailey and others, we just kept pressing on until this day happened. I want to thank everybody involved in not giving up even when we agreed to disagree.

This is part of the process sometimes. Just because we don't agree on everything, that doesn't mean you're not on the same side. Sometimes you've got to have three or four different looks until you get it right so thank you.

Monique Moyer - First of all, thank you for your kind words. When, at the last meeting, Sean came to our meeting and spoke in public comment which is not interactive. So it's my turn to speak back to you Sean. He's just been remarkable and this is not his day job. Contracts between the Port and anyone are not intuitive, they're not simplistic and they're not always fun. Sean has always brought his great sense of humor and his commitment to it and put himself in a position of having a second full time job out of his love and respect. The fact that he's wearing a stunning suit today, Jimmy would be so proud. So right back at you Sean, thank you for all that you've done, your committee, Veronica and others. We're really excited by the art.

ACTION: Commissioner Brandon moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor. Resolution 14-39 was adopted.

11. MARITIME

- A. Request approval of contract terms and authorize staff to execute a contract with Dockwise USA, LLC in an amount not to exceed \$2.97 million for transfer of title and transport of Drydock #1, plus \$270,000 in potential demurrage incurred at loading, subject to Board of Supervisors' approval of waiver of competitive contract bidding and other standard City contracting requirements. (Resolution No. 14-40)

Daley Dunham, Port's Special Projects Group - Drydock #1 was constructed for the World War II shipbuilding effort. It was in operation for a little over 60 years, declared unfit for service in 1999. It's coming up on 75 years old. It failed on its last operational lift. We've been trying to find a proper home or rather final disposition for it ever since.

We caught a break in 2009 with the assistance of minority leader, Congresswoman Nancy Pelosi and a \$3 million federal appropriation through the Department of Defense to assist us with our effort and set aside over the intervening years \$3.8 million to complete the demolition of the Drydock. Where the money came from in the beginning was a complicated matter. This speaks to why we are here now after that earmark came about in 2009.

Initially it went to the Department of Defense but moving from square one to square two took over a year in and of itself to find the right agency to administer it. From there, finding a federal agency to execute it between MARAD and the Army Corps of Engineers and the U.S. Navy, it took almost that amount of time again. Once we got there we had a great project manager, a great project team.

They contracted with Titan Salvage their previously competitively bid general contractor for all salvage work on the West coast of the Americas who in turn subcontracted with Zaccor Companies a local subcontractor who we have a long relationship with and who does great work.

Here are samples of Zaccor's work. What you're seeing here are, just to get a sense of the scale of it, those are four backhoes driving around on the Drydock itself, first pulling down the wing walls and then hauling it out what's the future side of Pier 70 where we had some room to dispose of the end sections. Unfortunately it is about 12 feet too narrow to handle the mid-body or we'd be doing that right now.

Phase one took the dock down from this original length down to 408 feet which doesn't seem like a lot for half the project budget but bringing the footprint down is the critical component of phase one because it opened up possibilities for phase two that were not previously available. The key part of phase one was the closeout report. We requested that the Navy earmark the last \$30,000 to provide us with technical evaluation and recommendation for what to do with the rest of it once they're done. Their recommendation was that the most economic option with the least technical risk overall continues to be semisubmersible dry tow to a suitable location readily found outside of the United States.

We took that recommendation and proceeded forward giving the expertise that was behind it and the fact that they made their recommendation to it not only once but twice. The first time we reviewed all the alternatives they considered and said, "Please look at it some more." And they went back and did that and this was still their clear first choice.

The scope of work for that semisubmersible dry tow is a service contract and for sale of the asset, transfer of title and for transportation to an appropriate site overseas for purposes of our contract, the contract that is before you today are the contract terms. The key elements are that it transfers all liability from the Port. At the time they pick it up in San Francisco Bay as soon as it breaks the water, it is no longer ours. That's a particularly attractive point for me.

So what's going to pick it up? The vessels that we have in mind, there are only a few of them globally that can handle this kind of work, are the SWAN Class vessel operated by Dockwise Companies which is a Dutch heavy lift company. They move big things all the time such as container cranes, destroyer and offshore oil rigs.

To my surprise they do it with not a lot of room on either end so this is the loading plan for Drydock #1, it has three and half feet of room on either side. When I saw that I called the heavy lift master for the U.S. Navy who helped us with phase one and said, "Are you comfortable with that? That feels like a squeaker to me." And he said, "No, I just did one with one foot on either side, that's not problem. They do this all the time."

Our contract is really about transfer of title and the financial exposure that would come with any liability that remains after that. We do have an interest in where it goes because part of the contract term is that they deliver to us a proof that they did it in a green, environmentally responsible way. For that portion of the presentation, I'm going to hand it over to my colleague, Rich Berman who's a

Utility Specialist with the Real Estate Division and all-around green, environmental guru.

Rich Berman - The location that Dockwise proposed and ultimately the staff has found to be acceptable is ship recycling facility near Shanghai. The reason that we took a great interest in it is that most of us have seen films or videos of less than ideal ship recycling facilities in places like Pakistan and Bangladesh where folks are running up and down rusty metal without any personal protective equipment, without any management tools for handling the hazardous materials and we were a little bit concerned about this.

We've tried to vet this and we think we've found a very suitable location. In fact I would venture to say that this is the new convention for international recycling standards for ships. What makes this shipyard qualified? It's a new shipyard. It came online in 2011 and it was designed specifically for recycling ships and the goal was to recycle them to the highest international standards. Those standards were set in 2009 with the development of the Hong Kong Convention under the International Maritime Organization.

The Hong Kong Convention sets out a number of protocols that includes how ships are managed while they're in service. A portion of that is the inventory of hazardous materials and you have to renew that over a series of years and before you take a vessel out of service you have to do a final inventory for hazardous materials and you're looking at both the structure and internal guts of the vessel as well as material and storage and waste that's generated through operations of the vessel itself.

ISO 14001, the International Standard Organization has a standard for environmental systems management. There is one for quality management and there is also an international standard for Occupational Health and Safety. The International Ship Recycling Association has confirmed that this shipyard is fully compliant with the Hong Kong Convention and these other certifications.

The Port has done a series of environmental testing of the Drydock #1 over the course of four years as we've explored various opportunities to dispose of it. So we have a very good profile of the materials on board at the moment and we are going to use that as a way of establishing the inventory of Sea2Cradle. Sea2Cradle is the world's leading environmental monitoring organization for ship recycling. They're based out of the Netherlands in Rotterdam and they seem to be the real pioneers of compliance with international law, the variety of national laws that people bring and the various certifications.

I spoke to the managing partner of Sea2Cradle. He was very impressive, he knows his business. He has overseen the recycling of six vessels at this shipyard. He said that they have multiple areas where they can manage several projects at the same time and part of the agreements that they require when they take on the environmental monitoring is that if they see anything that is of concern during the program, they have the authority to stop not only the activity

on their dismantling operation, but to any adjacent recycling projects at the shipyard. They feel they have the full control to maintain safety and environmental compliance.

You have the inventory of hazardous materials. You have a ship recycling plant. That is something that's required under the Hong Kong Convention. Once you have your inventory of materials, you have to have your plan for how you're going to process things and that drives the actual recycling, the dismantling and the ultimate disposal of all the materials at the shipyard. Then you have the green certification which is essentially the environmental monitoring proof that everything that took place at the shipyard was in concert with the ship recycling plant. You tie it all together with that final certification.

Daley Dunham - The reason we're here asking for you to approve material contract terms instead of the contract itself is because the contract is still underway. We're still working out the details. The reason for that is that I can't stress enough how unusual this contract mechanism is that heavy lift companies don't accept title to cargo. They typically don't do these kinds of things. It is a fortunate set of circumstances that we're able to come together on this.

There are four key material terms that we're asking you to approve. One, it does not obligate the Port to Dockwise in excess of \$2.97 million for transfer of title and overseas transport, with an additional contingency of \$270,000 for potential demurrage charges. Demurrage means unexpected idle time. It's use of the asset that was unexpected. We frankly don't expect to need to use any of that because the terms of the contract we're negotiating now give us four free days for bad weather. Anything beyond that would accrue at \$45,000 a day up to a maximum of six days and then it's not our liability anymore but we don't expect that. We've timed the lift for the absolute best time on the Bay to do this kind of operation so confirmed by the Bar Pilots. They were nice enough to consult with us on that.

The second piece of it, I added the word irrevocably in there pretty recently and they were okay with that. Irrevocably transfers title and all financial exposure from transferable liability. I'm going to ask you at the end to make an errata change to the Commission resolution to clarify that a little bit. In the contract discussions the transfer of liability is a technical term and what we're talking about as another one of the strange accommodations with the insurance companies on the Dockwise side is that they have asked that Port and the City carry the insurance for the voyage for the vessel because we're officially the charter of the vessel for their insurance carriers. They can't charter themselves.

In talking through with them, we ultimately came to an agreement that they would cover any deductibles, any overage, anything if the policy becomes insolvent, essentially limiting our liability by definition to only things that are covered by insurance. It's a technical adjustment but I wanted to make sure that it was a recent development that we're clear when it comes time to sign the contract that we have your proper authority to enter into it.

The third is that any indemnity provision that we come up with is fully approved by the City Attorney and City Risk Manager since we would normally bring those before you. Lastly that it includes retention of Sea2Cradle as a third party. They don't work for Dockwise. We're just funding them through the contract. They are an independent organization which would oversee an already great shipyard with a great track record.

There are two changes, one is on the second page. Second whereas down, subsection two which currently reads, "Title and all transferable liability associated with Drydock #1 will transfer upon completion of the heavy lift operation." I'm inserting four words into that. It'll now read, "Title and all financial exposure stemming from the transferable liability associated," so that captures the idea that there may be some technical way of we still having liability even though it presents zero financial exposure to us.

The second is the first line of the first resolved clause that reads, "Subject to the Board of Supervisor's waiver." After that the new language includes, "Or administrative waivers from the appropriate departments." That's also been a recent development that we may be able to avail ourselves of an administrative waiver rather than a sole source ordinance formerly through the Board the Supervisors.

Those are the two amendments to the resolution.

Commissioner Brandon - For the completion of the lift operation, is that when it arrives or when the Drydock is lifted?

Daley Dunham - When it's lifted out of the water. The heavy lift vessel which is probably going to be the SWAN will go out to anchorage 9 and it'll submerge itself down about 25 feet. Drydock #1 will be floated over the top of it and then it will it de-ballast and lift up. As soon as the deck of the SWAN breaks the water again, the loading operation's complete and the transaction triggers title transfer.

Commissioner Brandon - This is wonderful that we've been able to come up with this option and have a second option available if needed. What you didn't mention in the history is that we did try to sell it before. We thought we were successful and then it broke away and we got it back. For the last 10-15 years, we've been trying to find ways to dispose of it. The fact that the timing and the funding came in and we were able to have great options is just wonderful. To be able to transfer title as soon as it's lifted is absolutely fabulous. I want to thank the whole team for putting this proposal together and I'm going to keep my fingers crossed that we actually see it sail away.

Daley Dunham - Thank you, me too. I neglected to offer thanks to our City Attorney Tim Yoshida who's done a great job under the very demanding schedule of this project. Thank you, Tim.

Commissioner Woo Ho - You all have given me a history in the briefing on this item and I haven't been as long associated with this as Commissioner Brandon, but I do understand that this has been a headache for a long, long time and that we've now finally come up with a very elegant solution that takes care of it fairly quickly without having to figure out how to demolish it some other way. It seems like it's from a standpoint of physical, environmental and financially it seems like a very clean solution. I hope it moves forward without any problems.

Commissioner Adams - I want to follow up with my fellow Commissioners. I agree. I had a chance to be in the briefing and I clearly think that solution number one is the best and definitely we have a back-up. I appreciate the due diligence and the best thing that it's going to do is it's going to be going away from here to China and I'm happy about that. Thank you.

Daley Dunham - One other thing, I may be out of order but one last tiny piece of good news which I just got this morning. The U.S. subsidiary of Dockwise, the Dutch held company which is Dockwise U.S.A. with whom we're going to enter contract told me this morning they were playing around with the idea of a waiver to the City's Equal Manifest Ordinance.

I decided to talk through it over the phone with him and said that, "These are the way things are trending. They're a Dutch-held company, the company in the Netherlands, they're going to understand if you have a little cost bump if you comply." He said, "You know what? You're right. I'll instruct staff to make sure that we comply. We're changing our benefits policy. We will provide domestic partner benefits parity to do business with San Francisco." So that's really good news.

Commissioner Brandon - Congratulations. That's great.

ACTION: Commissioner Brandon moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor. Resolution 14-40 was adopted.

- B. Request approval of Second Amendment to Lease No. L-14282 with the San Francisco Bar Pilots Benevolent and Protective Association for space located at Pier 9 located on The Embarcadero at the foot of Vallejo Street to reduce the size of the Premises, change the security deposit instrument type, specify future rent adjustments and make other changes. (Resolution 14-41)

Peter Dailey, Deputy Director of Maritime - I want to congratulate the team. Daley and Rich have done a great job on the Drydock. I was the one that got a call so many years ago at midnight that the Drydock was onshore underneath the admiral's house at Yerba Buena island. It was not a great birthday. I will take you up on your offer Commissioner, and take you out at a boat with some champagne when it sails under the Golden Gate Bridge.

On to more mundane matters, Pier 9 is probably one of the Port's most valuable pieces of real estate assets. It generates almost \$3 million a year in annual rents to the Port. It has a wide range of tenants. Everything from the San Francisco Water Emergency Transit Agency to the Blue and Gold Fleet, San Francisco Bar Pilots, Architectural Resources, ARG, Cabouchon Properties and most recently Autodesk, a Fortune 500 company we all know of, are proud of being a Port tenant. They are currently investing upwards of \$16 million into the Pier for their Applied Science Development Center. If any of you have been through it you know how amazing that premise is.

This past December, the Port Commission agreed to an agreement with Autodesk to further expand their premises at Pier 9. This further expansion called for Autodesk and the San Francisco Bar Pilots to come to some agreement as to the gate and ingress and egress to the Bar Pilots premises at the end of Pier 9. It became pretty clear as both parties started to look at the expansion that as envisioned, the expansion could cause some serious vehicular circulation issues.

This was raised by not only the Bar Pilots but by other tenants in the Pier. We've gone back and forth several times looking at solutions to this problem and the Bar Pilots and Autodesk have come to the Port and come up with a solution where the Bar Pilots would reduce their parking lot area by about 5000 square feet. Autodesk has agreed to take over the financial responsibility to the Port for this space with terms that financially benefit the Port.

As consideration the Bar Pilots have asked that their lease rent readjustment which happens in 2020 be reset to the prevailing market rates rather than just the higher of the current base rent or the prevailing market rent which could result in a decrease of base rent to the Port depending upon market conditions at this time. The rest of the business terms are in the staff report.

It's a tricky situation where we're a victim of our own success in that Pier. We've tried to come up with a solution that splits the baby in half and solves the problem. We will take your guidance and Real Estate staff and myself are here to answer any questions that you might have.

Commissioner Woo Ho - I want to comment that we did make some suggestions at the last meeting and I think we have seen some improvement. We obviously feel that Autodesk is a very important client and we're glad to see that there's some availability to figure out the physical space that can work for not only for them, the Bar Pilots and the others. We feel that we're a little bit captive in terms of what the Bar Pilots have asked us but we want to have a win-win solution and move forward for everybody in this regard.

Commissioner Brandon - I think Commissioner Woo Ho summarized it very well. We have had a lot of discussion on this lease and this lease has come back to us a few times. The Port has done a great job in trying to negotiate terms on the Port's benefit but we do feel that our arm is twisted and we have two tenants that

we want to help resolve a situation and it may be to the Port's loss but they're both two tenants of the Port that we want to keep.

I hope in the future that prior to us approving new leases, we take all matters into consideration so that we're not in this position again. Nothing's perfect and I want to thank the staff for doing their best effort to make this matter work.

Commissioner Adams - This was a tough one. There was a lot of discussion. One of the things I like being on this Port Commission is everybody has their own ideas and everybody speaks and there's some good discussions. That's how it should be, that's what the public deserves.

Commissioner Adams - I have a question and I don't know if it should be directed to staff or to the Bar Pilots. Your lease includes the city standards on non-discrimination and a proposed amendment includes a provision to encourage local business participation. Could someone provide some information regarding the makeup of your workforce?

Peter Dailey - I know that the Bar Pilots, in our discussions with them, discussed an extensive amount of local business procurement that they do in San Francisco and gave us a list of smaller Port tenants and a number of small companies in San Francisco that they generate economic benefit from. In terms of employment, I do not have that information.

Peter McIsaac, San Francisco Bar Pilots - I'm President and Port Agent. What was the question again?

Commissioner Adams - Can you give me the makeup of your workforce, your pilots, your diversity? Can you tell me what the makeup is of your pilots that work for you?

Peter McIsaac - It's almost all male. It's mostly white. We do have two Latinos, Pacific Islander. We had the first female pilot in the country and there was I believe only two others in the world and we are more diverse than the pool that we draw from. You go to Cal Maritime and despite all the outreach efforts and despite us having four scholarships there for the last 20 years, they have deck logistics and engineering. Their deck program, it's not very diverse and they've been trying to change that.

I was on a panel that looked at that and they are making some progress but not a whole lot. There's a misperception that we go out and train the pilots. We do train the pilots. The pilot candidates that come to us, it's the state of California that goes out and they hold the exam. It's a very competitive exam. You have to have two years of command time to be eligible. During that two year period, we only get the candidates that the state provides.

L.A.'s somewhat different. That's a city. It's actually a municipal pilotage. They are exclusively white male and even though they go through whatever process

the city of L.A. does, Long Beach, pretty much the same thing. I mean there's just not the pool of candidates. We actually reflect better than that pool of candidates. It has been an issue that goes back a long time. There has not been a lot of change in the maritime business.

Commissioner Adams - So as far as your bar pilots, you don't have any that are African American or Asian so they're predominantly all white males and I think you said one white female.

Peter McIsaac – Yes and two Latino pilots, two males.

Commissioner Adams – Okay, thank you.

ACTION: Commissioner Woo Ho moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor. Resolution 14-41 was adopted.

12. REAL ESTATE

- A. Request approval of the Fiscal Year 2014-15 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event and Filming Rates. (Resolution No. 14-42)

Nate Cruz, Financial Analyst with the Real Estate division - We were before you two weeks ago with an informational item on the Fiscal Year 2014 and 2015 parameter rent schedule. During the course of the presentation, a couple of questions came up so we're back here today to respond directly to those questions and then request your approval of the parameter rent schedule for the next fiscal year.

The first question had to do with how the parameter or the deals that fit under the parameter rent schedule fit into the overall real estate parameter leases, and the parking stalls which are a very small component, represent about \$9 million of the total about \$63.5 million real estate portfolio. It's a pretty small chunk at about 14%. The remainder is lease revenue and non-lease revenue. The non-lease revenue is mostly parking meters and enforcement fines.

As I mentioned two weeks ago, while it doesn't represent a large amount of money, it's not the lion's share of revenue. It does represent a very large portion of the lease count. When we talk about the diverse and stable revenue base we have at the Port, it comes from these parameter deals. That's where our local businesses and the small businesses have found a home at the Port.

The second question that came up was requesting a little bit more depth in how to compare some of the market rates that you see in the City that are published and how those compare with the Port parameter rents. The biggest problem that we have is that our assets don't easily fit under the traditional classifications of

Class A or Class B offices. We don't have the amenities that are on the typical checklist so that's the challenge.

The second piece is a mathematical one. On the private sector side, landlords will provide tenant improvements to a space up to a certain amount per square foot. On the Port side of the Embarcadero, we don't have that option, so tenants pay out of pocket for that so that's reflected in different rental rates.

Two other items that we didn't dive into too much two weeks ago is that one is that the city rental rates that you see include the financial district so there's a lot of marquis properties in there that are bringing the average up.

Finally this is a bit of a nuance but is important is the market data is an asking price. It's the equivalent of a list price on a house. It's not the actual final transaction price. When we compare the asking price to the parameter rent which is the minimum, there's naturally going to be a gap there. Those are some of the big factors.

Another question came up about tech sector tenants and how we market to them. We don't have a specific incentive program or recruitment effort for tech sector tenants aside from our maritime tenants. We want to maximize Port revenues. To the extent that a tech sector tenant does that, we'll gladly take their money.

However, because our space often has this industrial look that seems to be desirable by tech sector tenants, we have become the home to a number of nationally renowned tech sector tenants such as Ammunition and Autodesk that we just discussed as well as others.

The last question had to do with how we charge for views. It relates a little bit to the classification of our space. Sometimes we have Class C space but we have Class A views, and so how do we reconcile or reflect the benefit of those views in our rates? Within the parameter rent schedule, there are two examples where there's a view rate and there's a non-view rate.

In the Agriculture Building or Pier 35, the mark-up for the view is anywhere between 25 and 60%. The big mark-up on the agricultural building is mostly a reflection of the quality of the building itself. It's in pretty rough shape. The view is phenomenal. It's the Bay Bridge and the water. The relative value to the base facility condition is pretty large. That's the 60% increase - 35, the condition's a little better, the view's not as good, so the relative difference is not there.

That concludes the specific questions that were asked two weeks ago but we're available to answer any further questions we might have.

Commissioner Woo Ho - I understand that we don't give outright what you would call tenant's improvements but we often give out rent credit which is in a way recognizing that since they're putting improvements in, we're putting in credit.

What is the formula that we think of when we decide to give a rent credit which is in essence recognizing the fact that they're putting in a tenant improvement? How do we calculate that? What's the way that we go about it financially? It may not even be 100% but what is the formula that we think about when we think about this?

Nathan Cruz - For most of the deals that are in this parameter rent level, they're the smaller level deals, the kind of bread and butter level deals if you will, there's not a significant rent credit. Anything with a large rent credit comes back to you for approval so you always have your discretionary review on that. For anything that's within the parameter rent schedule, we do have the delegated authority, or we have in the past, to allow for a few months of rent to make up for the tenant improvement allowance that might be otherwise had on the private sector side of thing. That's why when you look on the actual parameter rent schedule, on the far right there's a net effective column that's slightly less than the gross minimum.

Commissioner Woo Ho - My question is probably relating both to parameter as well as non-parameter in terms of how we think about it. My other question is looking at the schedule that parameter rent is a lot of transactions but not as far as the percentage of revenue. If we were to look at the non-parameter rents that come up versus the parameter rents, what is the equivalency of the rates that are being charged?

I understand we're being asked to look at the parameter rent schedule and being asked to approve that but I'm looking at the whole picture. Are the rental rates that we use in negotiation outside of parameter very similar in terms of what we would charge within the parameter?

Monique Moyer - Thank you for the question Commissioner. It's a very good one. There isn't a hard and fast mechanism that we follow but for the most part our requirement is that a credit that we're going to give to a tenant has to apply to a real property improvement that has a useful life longer than the lease term and is not specific to the tenant.

As an example of that are new spaces built out in an otherwise vacant shed. But if it's customized to have a kitchen of X nature, the walls would be something we would consider as an improvement to the Port's asset but the customized kitchen has no resale value to us afterwards.

One of the things that is important to note in the non-parameters as they come to you is that oftentimes we are bringing you a transaction that changes the use of the facility from storage to whatever else it is. In the case of parameters, by definition the use is the same. So the tenant improvements that are coming forward if I'm not mistaken are carpeting and painting and maybe some minor upgrades to the asset itself, but nothing as dramatic as converting storage space into office space or into fish processing space or something like that.

As we get into that second realm of non-parameter, as you know we have a plethora of uses so it's very hard to have one size fits all but the fundamental philosophy behind it is that this has to be improving the Port's asset for a significant period of time.

Commissioner Woo Ho - That is helpful to know. We're trying to understand what factors we're considering and how we're trying to be competitive and yet make sure that we're keeping up with how the market operates because this is the primary source of revenue for the Port

My question on tech space which you tried to answer in your slides but my question is a little bit more strategic. As we think about the space that we have and how it's being deployed today and knowing what space is being used by what sector or by the type of real estate it is, whether we want to continue to keep that space as it is utilized today or as we look at it in the future, it's a strategy. Do we want to change it because we could upgrade it into something else as the leases come off stream or whatever?

It's a little bit more strategic if we were to think about some of the industrial warehouse space, would we want to say that leasing out to more tech tenants, as an example, would be a better use of that space. It's just trying to figure out how to keep that revenue not just historically what it's been but components in the future differently and thinking about the real estate portfolio in a more strategic sense.

Nate Cruz - We heard that last question at the last hearing but we're going to have to do some homework on that to really identify which Port funded capital upgrades might yield the best return to the Port. Staff will have to come back with that item. But as it relates to the parameter rent schedule it is going beyond these smaller deals.

Commissioner Woo Ho - Right, I appreciate that. Thank you.

Commissioner Brandon - Thank you for that great report and answering our questions and for further clarification. I appreciate it.

ACTION: Commissioner Brandon moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor. Resolution 14-42 was adopted.

- B. Request approval of License 15762 with Pacific Gas and Electric Company for the ZA-1 Embarcadero-Potrero 230kV Transmission Project for approximately (i) 435,600 square feet of submerged land between Pier 28½ and the foot of 23rd Street, (ii) 52,272 square feet of underground access for horizontal directional drilling and (iii) 21,120 square feet of land along 23rd Street for a 40 year term, with a 26 year option, subject to approval by the Board of Supervisors. (Resolution No. 14-43)

Brad Benson, Director of Special Projects - We've been in front of the Commission two times before on this project. We were here on the initial term sheet on this project in 2012. In September 2013, the Commission endorsed a revised term sheet that included substantial new terms. That term sheet was endorsed by the Board of Supervisors in February 2014.

We're back with the final proposed license agreement for the project. The project's been approved by the California Public Utilities Commission after a very exhaustive process. To refresh your memory, San Francisco has two different transmission systems. A 115kV system and a 230kV system are largely devoted to the downtown area in San Francisco. The two systems don't speak to each other.

The two lines that serve the 230kV system to the Embarcadero substation are running through areas of the City that are subject to liquefaction. One or both could be severed in a major earthquake. This project is designed to provide redundant service to downtown and to connect these two different transmission systems so that they speak to each other.

This slide shows downtown San Francisco, there's a faint red line around it. That entire area is served by the Embarcadero substation. The project that's before you today and the license agreement is a 3.5 mile, 230kV submarine and underground cable that would connect the Embarcadero substation and the Potrero switch yard right near Pier 70. There would be a new 230kV bus built adjacent to the existing Embarcadero substation and there would be a new 230kV GIS enclosed substation on the NRG site right next to Pier 70.

This is about a \$200 million project. You can see in the slide that the existing Embarcadero substation is enclosed. There is the bus station that PG&E is planning to build. We're very pleased that they have hired some high quality architects to build these substations because they should fit in with the surrounding neighborhood. This is the proposed 230kV substation on the NRG site, also has a high quality look and feel to it.

The CPUC approved the project on January 16, 2014. They conducted a mitigated negative declaration environmental analysis for the project. Both the City and PG&E and other parties commented on that and the CPUC responded to all comments.

PG&E is planning to do something called horizontal directional drilling and if you look in the bottom left of this, they would drill down just north of the Pier 30/32 complex and they would be drilling down beneath bedrock in this area of the project to get out to deep Bay water and then travel that 3.5 mile route and there would be a new horizontal directional drilling along 23rd Street also fairly deep down below bedrock and then deep out into the Bay. That's the route along Port property.

As I mentioned earlier, there's a great deal of seismic risk that the 230kV system is exposed to. PG&E hired an independent firm to do that seismic risk analysis which was part of the CPUC record. The numbers are pretty scary. There's a 91% probability of the failure of both existing Embarcadero substation cables in a 7.8 earthquake on the San Andreas fault, a 42.8% probability with a magnitude 7 earthquake on the Hayward fault, and over the next 30 years, a 28% risk of both cables being cut.

If that happens, it could take two to four months to restore service to downtown. That would have severe impacts on businesses and residents in that area. The estimate for the maximum outage, a seven week outage, would be a \$3 billion direct hit to local businesses.

With regards to the Potrero neighborhood, the southern connection, we have focused a lot of our thinking about how to use this project in a way that will improve that neighborhood. It's an area that's been used for heavy industrial purposes for quite some time including power generation for the City. You'll see in yellow the PG&E hoedown yard. It's a dirt recycling facility. In red is the existing open air Potrero switch yard for the 115kV system. Compare the size of that to the small green square on this which is the proposed new GIS enclosed station at the site.

This is a view from Illinois Street of the open air substation which is typically in a more industrial kind of neighborhood. This neighborhood is trying to transition to something else. We've negotiated terms for the license agreement that are consistent with the terms that you adopted and that the Board of Supervisors endorsed with the term sheet. Most of the land, over 400,000 square feet of the land is submerged land. There's about 50,000 square feet of underground land, that's the HDD drilling areas and 21,000 square feet of land along 23rd Street that's mainly for sidewalk use.

PG&E would pay the Port prepaid rent for a 40-year term of approximately \$7.6 million per installment for a total of \$15.2 million. We'd receive the first payment on the effective date of the license sometime after the Board of Supervisors approves the license and receive the second payment before January 1, 2015. There is contemplated a PG&E option for 26 years after the first 40-year term. Rent for that period would be determined by an appraisal process subject to baseball arbitration.

Standard security deposit but refundable in this case because they're prepaying all of their rent obligations under the agreement and environmental security including our standard \$10,000 environmental oversight deposit and a robust \$6 million letter of credit, \$5 million of which could go away after construction is complete and environmental sampling data is submitted to the Water Board.

Installation of the cable along the Bay floor does create some limitations on Port use in this area. It's not an area that we've dredged in the past. We spent a lot of time talking with Maritime Division and the Engineering Division about the

depths in this area of the Bay and the Port has not conducted dredging in these areas. As part of this license, we would be limited from penetrating the Bay mud in the area of the cable project or permitting lateral crossings in the area north of Piers 30/32. We would have to get PG&E's permission to install piles alongside the pier to enable maritime uses.

We contemplate in the license agreement situations where the City or the Port would have to construct a major project and under those circumstances there are provisions for the potential removal or relocation of the ZA-1 line but only after we jointly look at whether there's a way to design the City's project in a way that could avoid that relocation.

The condition of the license is that they screen or enclose the Potrero switch yard. Finally we've got a requirement that for purposes of receipt of the major equipment that's part of the cable project, that it be received in San Francisco so the City can realize the sales tax. There's an errata in the staff report. Our estimate was that might be as much as \$10 million based on PG&E's preliminary estimate but that included labor. Our current estimate of the City sales tax benefit out of the project is \$4.2 million based on the actual cost of the equipment.

Separate and apart from the license agreements, there is an option to acquire the hoedown yard which is this three acre site that is adjacent to Pier 70. The Port is not involved in this transaction. This is a benefit that is being conferred to the City. The Department of Real Estate would have this option to acquire the site at a fixed price of \$8.3 million based on appraisal. The City would have until 2019 to exercise that option.

We have an agreement with Forest City where they would rezone the site and this option contemplates that the excess value, or the value of the improved land value of the hoedown yard after it's rezoned for another use, residential or commercial would go to the Potrero Terrace and Annex Hope Six Project.

PG&E was quite worried about the environmental conditions of the hoedown yard and how the liability would be dealt with. We've had a very effective negotiation with them. The City will not own any of this liability. That was made very clear at the Board of Supervisors. The Department of Real Estate would find a third party buyer who would clean up the fairly minimal contamination at the site and indemnify and hold harmless PG&E for any future use of the site.

That future owner would have to follow certain risk management and institutional controls on the site to enable the new usage whether they're residential or office. This is a closer up view of the hoedown yard right along 23rd Street. It will be the gateway to the Pier 70 project and our current estimate of the net improved land value of rezoning that site from industrial to residential or office is north of \$20 million. The real estate market in this area of the City is really hot.

As to the southern waterfront community benefit package, we have a very strong package through this deal. Eight percent of the prepaid rents would go into the Southern Waterfront Community Benefit Fund, that's \$1.2 million. We will realize screening or enclosure of the Potrero switchyard subject to required approvals and relocation of the hoedown yard industrial use sidewalk improvement along 23rd Street. PG&E has negotiated local hire and workforce agreement with the Office of Economic and Workforce Development including the use of local residents for 30% of the labor positions.

I've talked already about the City option to acquire the hoedown yard and those proceeds would go to that public housing project. Here are some options for screening the Potrero switchyard using either a screen or an enclosed substation. We think that these changes, the screening of the switchyard, the relocation of the hoedown yard are a vital step for redevelopment of Pier 70 and being able to bring in that private investment from Forest City.

There are a few other approvals that are required for the project, BCDC and the Water Board and the Army Corps of Engineers will have to sign off before the in water work starts. The project schedule is coming right up. PG&E wants to start construction on land off of Port property in August. Offshore cable laying would happen in June 2015 and the cable would be in service by April 2016.

If the Commission approves the license agreements, the next step would be for Port staff to submit the resolution approving their license and a resolution approving the option agreement to the Board of Supervisors for their consideration.

Commissioner Woo Ho - Did we have more of an involvement in the hoedown yard the last time we heard this or was it always envisioned that the City Real Estate would always take over?

Brad Benson - It's a good question. In 2012 the option to acquire the hoedown yard was an option that would come to the Port. We did some thinking about that and we made the ultimate determination that it was not appropriate for the Port as a public trustee to be in the business of acquiring private property for purposes of private development.

Commissioner Woo Ho - That's understandable. So you're presenting it as part of the transaction because PG&E's involved in both in terms of the cable and the potential option but they really are separate transactions and it's just that PG&E's involvement is the common thread.

Brad Benson – Yes, that's correct.

Commissioner Woo Ho – So we're just voting on the license and that alone by itself.

Brad Benson - That's absolutely correct. I'm just presenting it as information because it's part of this overall package.

Commissioner Woo Ho – Will the Board of Supervisors look at both?

Brad Benson – Yes, they will look at both.

Commissioner Woo Ho – It's more of a broader exposure for them to look at both relative to the City.

Brad Benson - Yes.

Commissioner Woo Ho – Okay, I don't really have any questions. This is just more detail from what you've been building on the past.

Commissioner Brandon - Thank you Brad. That was a great presentation. You guys have done a wonderful job in negotiating this and great community benefits and a great lease for the Port overall. Do you know what PG&E is planning to do with their existing switchyard?

Brad Benson - Under the Port license, the City has the ability to say to PG&E after the effective date of that license, "We would like you to either screen that or enclose it in a building." We're going to be consulting with the Planning Department on that issue just to get their view. The early sense is that the City's preference would be to enclose it in a building rather than leave it as an open air station because that deals with both the aesthetic issues and some of the sound issues. These open air stations tend to emit a buzzing sound that discourages development around them.

We don't know whether or not the CPUC would approve the rate package to enclose that station but we would issue our preference. PG&E would have to go through a process and use commercially reasonable efforts to obtain the rate funding and the regulatory approvals to make that change. If we're successful in that, that would be a dramatic change in this neighborhood.

Commissioner Brandon - That would be wonderful. Will the \$1.2 million going to be put in the fund once the two payments are paid or is it going to be done over time?

Brad Benson - It would be 8% of each payment so approximately \$600,000 on the effective date which would be sometime August/September and the other would come before January 1, 2015.

Commissioner Brandon - Have we decided what we're going to do with the \$15 million? Is that already in next year's budget?

Brad Benson - That's subject to your appropriate decision as part of your annual budget and we have not had staff discussions about what to do with that.

Monique Moyer - I don't even think we counted that in the budget. If we were, it would be a separate. I believe that will be a separate budget supplemental and on the revenue and the expense side.

Commissioner Woo Ho - You haven't. Even in the recent budget submission, it was not reflected.

Monique Moyer - The budget submission that we submitted back in February, no. We did not amend the budget going forward I don't believe to take that in account.

Brad Benson - It's not reflected in the budget.

Monique Moyer - I assume when we go to the Board, there will be a supplemental appropriation?

Brad Benson - That's a good question. If there's a desire to spend it, there would need to be a supplemental appropriation.

Commissioner Woo Ho - The question would be, when it comes back would it be part of the 20% policy or would you allocate more to capital?

Commissioner Brandon - I was going to request is if we can have a certain amount of it designated for the Southern waterfront, maybe the piling removal or other infrastructure needs in the Southern waterfront.

Monique Moyer - Certainly, you're both right. If it flows through the waterfall of funds as revenues which it will, then it will trigger the 20% designation to capital and the 15% designation to reserve. Where we get that cash, it can be completely separate from this particular cash but it will flow through and trigger both of those policies.

As you know, Commissioner Brandon, when we get an accumulation of funds, we typically try to program them for beautification which comes to the Commission. We'll definitely try to prioritize the pile removal per the plan we showed you last meeting.

Brad Benson - I wanted to thank all the other folks who have worked on this. Carol Bach has provided invaluable advice on some of these environmental risk issues and help review the license and the mitigated negative declaration. Rona Sandler has been phenomenal to work with in terms of negotiating the license. Joanne Sakai is lead on the purchase and sale agreement and the option agreement which are unusual documents. We've got a great team at the Port working on these complex deals.

Commissioner Woo Ho - thank you. This has been a long time in the making and it's nice to see that it's finally getting down to the final one yard line.

Commissioner Adams - Thank you Brad and your team. Thank you to my two fellow Commissioners for their thorough input in this deliberation.

Brad Benson – I'd like to add that Ontario Smith with PG&E has been a great negotiating partner in helping figure out all of these difficult ins and outs.

ACTION: Commissioner Brandon moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor. Resolution 14-43 was adopted.

13. NEW BUSINESS

Monique Moyer - Commissioners, I don't think I heard any new business today. We talked a little about some existing new business from the real estate presentation but I didn't hear anything else that was new business. I have a very long list from previous meetings.

Commissioner Brandon - I don't know if this is new business or not but I just want to know if there is some way that we can help the Bar Pilots with their recruitment and hiring.

Monique Moyer - We will continue to explore that. Given that it's not agendized, I shouldn't say more but I think there is.

Commissioner Brandon - Thank you.

Commissioner Adams - I think it was a couple of meetings ago that Commissioner Woo Ho brought up Pier 30/32. I know you're going to be coming back to us sometime this summer on that or probably early fall about some things that you and your staff were thinking about for Pier 30/32.

Monique Moyer - Yes, as soon as we know something, we'll report to the Commission. As we all know there's a lot of anxiety about it.

Commissioner Brandon – Piers 30/32 and SWL 330 as well.

Monique Moyer – Okay, will do.

14. ADJOURNMENT

ACTION: Commissioner Brandon moved approval to adjourn the meeting in memory of Kayshon Shelton and his family. Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor.

Port Commission Vice President Willie Adams adjourned the meeting at 5:07 p.m.

